the GS series on wealth

GilliganSheppard

www.gilligansheppard.co.nz

Main author: Bruce Sheppard

Bruce Sheppard co-founded Gilligan Sheppard in 1985 and is the CEO. Strategically, he has successfully positioned GS as a wealth services firm. We help clients generate, maintain, and optimise wealth through business and investment.

As a result of his now past hobby (the New Zealand Shareholders Association) and his exposure to the regulatory process of government, he is familiar with all aspects of the capital markets in New Zealand including the inner functioning of regulators, major listed companies, and market intermediaries.

At Gilligan Sheppard, we want a world where collaboration trumps competition, and where people participate honestly and openly by not being fake. Relationships trump digits (money) and a world where the good of something greater than self, trumps self-interest. And all of this is supported by an environment where trust trumps fear. A world that is striving to improve and is continuously thinking about how to make each day and each life better.

At its foundation, Gilligan Sheppard is an accounting firm, but at our heart, we're about helping clients. www.gilligansheppard.co.nz

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Rebecca founded Mint in 2006 with a strong pedigree in funds management, from a career spanning 35 years in New Zealand and offshore. She has been an MD, CIO, CEO, Director and Chair of various financial companies and held several non-executive directorships for investment and property trusts.

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A passage to wealth?

Bruce Sheppard, CEO of Gilligan Sheppard

Gilligan Sheppard, over its journey, has attracted or grown a reasonable number of 'wealthy' clients and also observed the behaviours of successful people and families both good and bad.

Many claim to write with authority on the topic of wealth, and for those who are wealthy, or aspire to be, these thought pieces will either resonate or not.

What is wealth anyway?

It means different things to different people. For some it is a state of mind. For others it is experiences and knowledge, or the joy and richness of relationships. The most identifiable by all is the tangible measurement of wealth - money and assets.

The only truly wealthy are those who have elements of all of this, however the most critical one is state of mind. If you do not think you are wealthy, no amount of knowledge, experience, cash, assets, or relationships will make you so. I guess we have all met the fortunate discontents in society.

So how about I try to define wealth as a formula:

Wealth = attitude x (knowledge + experience) x networks + resources.

I view money as an addition not a multiplier to wealth. For me, the exponential impact on wealth for me, is experience and networks levered with attitude. It may also be better to think of resource accumulation as the result of attitude, knowledge, experience, and networks.

As the saying goes, money is not everything, but the corollary that it beats the alternative is also probably true. Money, however, certainly does not bring you happiness, nor does conspicuous consumption. How many first-class cruises can you endure?

If the passage of others is a guide, I, with this as my guide, will examine the components of my 'formula'.

Attitude

If your parents instilled in you self-confidence, a desire to try the unknown, a sense of independence and the courage to make decisions and not sweat the little things or overly worry about things when they go wrong, they have probably done you a great favour.

If in addition they have also given you a work ethic, determination, along with a good dollop of thrift, then they have doubled your attitudinal gift.

And if also, by passage of birth and upbringing, your mouth was free of a silver spoon and if this instilled in you a desire to improve your own and your family's lot, then likely they have delivered you the last component - ambition.

Key characteristics:

- Self-confidence
- A love of risk
- Focus and patience
- Determination
- Thrift
- Ambition and aspiration

And, finally, an overarching belief that you will always be free to do as you wish, for whom you wish, when you wish.

If you don't have the right attitude, you can learn it, but it's much harder because these attitudes have to be behavioural and instinctive.

Knowledge

Education has its place, but the perpetual student accumulating PhDs would likely have a single dimension view of knowledge - deep and narrow. Rich in its own way, but those who become wealthy across all facets of wealth acquire a wide range of knowledge across many disciplines. They have an awareness of what they don't know, and the knowledge of where to find it.

Knowledge comes from many sources - formal courses, wide reading, trying things, and conversations. One of our graduates, who years after leaving us, emailed me saying he learned more in his year with us by osmosis, and being exposed to how we problem solve and think, and that in his new job he was ahead of his peers by a wide margin. He had the openness to absorb ideas, toss them around in his head, challenge them, filter them, and apply them. Knowledge only flows when you are around people who are prepared to share and if you have an open challenging mind.

Knowledge isn't instant.
It accumulates.
Its accumulation never stops.

Experiences test and refine your knowledge. Over time, right, wrong and grey appear clearer.

Sometimes knowledge comes from unexpected circumstances and occurs in spades when you least expect it. For 10 years I ran the New Zealand Shareholders Association, and in that time, I meet many CEO's, Chairmen and Directors of large organisations. I had no idea of their thinking and the environment in which they operated. I judged them as idiots based on the poor outcomes achieved by them compared to the outcomes that were being achieved by small, well-run businesses in the SME sector. They took the time to educate me, and I them, and we all ended up better because of it.

Several of them I now do business with. The conversations around commonly held issues that are had with others not only widen your knowledge, but it also leads into the next element - networks.

Networks

Building deep networks require you to talk with people and exchange ideas. Then you find something tangible to do with each other to demonstrate common views, values and purpose, and when you do this, those networks become (what I ridiculed in public companies so roundly), your very own 'old boys and old girls' clubs'.

Without deep, wide, and trusting networks it is almost impossible to scale knowledge. Without engaged relationships it is impossible to achieve much at all. Many hands make light work!

In terms of the importance of networks... a conversation with a public company director went like this. "If you think you are so underpaid for the risk you are taking, let someone else do it, plenty are willing."

After much banter, it came down to this. "I do this because if I didn't, I would not be connected and I would lose my sense of purpose and relevance."

Everyone has many networks, clubs, sports teams, families, professional associations, work mates, shared businesses... it goes on. Each relationship is in context with the common denominator being you. If you can plug these multiple networks into each other with multiple points of contact they become stronger.

Have you read the book *'Outliers'*, by Malcolm Gladwell? One interesting anecdote in this book was the story of a small American town with a population that lived longer than anywhere else in the world.

Was it environment? Was it genealogy? What the hell was it? It came down to the fact that the population cared about each other. They all addressed each other in the street. They all knew each other; they were all connected. In short, the town was one big supportive network. The people had somewhere they belonged.

Successful people create these through consistency and by being authentic. Networks require trust.

Belonging and networks are fundamental to your physiological and economic wellbeing.

Resources

Resources are more than a score card. They are the tangible underpinning of your security, and an enabler of the choices you wish to make. To some, control over resources is power, for others it's security. Some simply see it as a game to get more. As I have said before, that which you chase runs, so for me the pursuit of more for its own sake is pointless. Wealth without purpose is to shun the privilege society has given you. This is a breach of trust.

If resources enable choice and freedom, then the first level is to have enough to live. Until you have this, you will never have freedom or choice unless your wish is to live on the street (its own freedom). Enough in this context, is that you can live as you wish until you live no more. This number is not that hard to work out. The hard bit is defining how you want to live. Some need a really big number, others very little. But getting to the freedom of having the security to cover yourself without having to do anything at all is immensely liberating. The more you wish to consume the longer it takes to get to the first level of actual freedom which then enables you to really make choices.

Once you have proactive choice, in effect you have freedom.

Then your choices are; do something useful and purposeful, or one of two basic approaches to power.

In terms of power, one approach is characterised by the description 'f**k off' money. This is enough to tell anyone at all to go away, that you don't want to deal with them, and if necessary, defend that decision. This is about personal empowerment. It allows you to be authentic, in that you don't have to grovel to others; it allows you to prune your network to those who matter. If you have a bit more than this level of economic power, you transcend to what is called 'f**k you' money. This is the level of wealth that allows you to exert power over others.

Eventually, if you achieve enough, you achieve indifference. At that point, resources cease to be relevant.

If you have enough, you can do what you wish. If you have gone beyond the desire to exert power over others, because your self-confidence and freedom is enabled to the point where the thought of exerting power over others is pointless, you will have reached a 'happy' or 'contented' point.

You have reached the point and mean it when you say, "It's not the money, it's the principle." If you think many say this and mean it, you are wrong. For most, it is the money, not the principle. You get to judge character in adversity and disputes. You also get to judge behaviours when you have plenty in a deal. At Gilligan Sheppard, we have seen a fair bit of both. ■

The trauma of wealth! Poor little rich kids

Bruce Sheppard, CEO of Gilligan Sheppard

New money only becomes old money if you manage to keep it. The probability of retention is vastly improved by how it is derived. Blood, sweat, and tears that convert into money over time have considerably more meaning to the earner than quick money or good luck.

Without preparation and an understanding of the way in which these resources were accumulated, it passes to the next generation, starting again as new money. But worse, it is lucky rather than sweat money.

Lucky money has the highest chance of disappearing. For many decades now we have run a national lottery - Lotto. A very high number of Lotto winners lose most of the money they have won. Some lose all of it, some even lose what they had before, very few have grown it. While not as bad as Lotto winners, second generation (G2) wealth follows the same course.

Old money must be new money first, and it generally comes from four methods:

1. Patience, persistence and grit in doing something purposefully over a long period of time.
2. Building a business from a small business into a large business and selling it for a large chunk of change. Sistema is a good example.
3. A lucky break investment. For example, someone who bought A2 milk shares at 10c that are now worth $15.
4. Or straight luck - Lotto, or the like.

If the rich list is any good, most wealth by number in New Zealand appears to come from property. However, the mega property wealthy, such as Bob Jones and others of his ilk, have made it not in residential property, but rather in commercial property or business investment.

The wealthiest, and the most wealth, appears however to have come from creating businesses - the Todd family, Graeme Hart, Stephen Tindall, Doug Myers, Colin Giltrap, Owen Glenn… the list goes on.

A key characteristic of G1 (first generation) and the creation of sustainable family wealth is an understanding and an embracing of measured risk. Risk is not a bet-it-all craps-shoot - that is lucky wealth.

Common behavioural weaknesses of new money

Overconfidence and arrogance

“I have done it once, I can do it again, what worked last time will work next time, and in every room, I am the smartest guy present.”

“My number is bigger than yours, nah nah nah nah nah!”

Overconfidence makes you vulnerable to being closed minded and unrealistically optimistic. Rest assured there is always a bigger, smarter, predator somewhere out there.

My first experience of this was in the mid-1990s, when we helped a client sell a software business. In his case, this was his second exit for a significant sum. The first sum was one-fifth the size of the second. With the first sum he bought property and started the second. With the second which was nearly NZ$50m (around $200m in today’s equivalents) it was one of the first, very large IT exits and a big headline. He was a hero, and a nutter magnet.

I gave him a pre-printed cheque book with 25 cheques in it so that I could help him see that he was now only 25 cheques away from zero to try and curb his overconfidence.

I pitched him an investment, one of my first VC investments. He had been writing cheques for $1m to any dopey project that he liked and was running the pile down fast. I thought this new investment I pitched was a good one. And it was for a while, until 1999 came along and the ‘Asian Crisis’ and a flawed chasing of a NASDAQ listing near killed it.

Instead of just doing $1m (I did $250k), he did $5m and within five years his investment was nearer $16m. But he became progressively unadvisable, and we parted ways. While he was gifted, and entrepreneurial, he failed to thrive through overconfidence and arrogance.

I am sure we have all met at least one know-it-all… and I might behave like one of those from time to time… maybe all the time.

Boredom

Put another way, this is lust for the adrenaline hit of the next big win. In effect the sentiment is… “It was fun bagging $100m, I got a high from that. Now I am bored and feel…”

In effect, a downer from the last money drug hit.

This often leads to depression and a deep sense of dissatisfaction and failure, but irrational to onlookers, who see them as so successful. In one case, we bagged over $40m, and the cheque was banked and all he could say was, “Is this it?” It is how most people react to such wins after a battle to get it, and even though it was a great result, turning from a possibility into a reality was somehow a bit of a let-down. When a client asks me to list a business for sale I usually start with the preparation, “Are you really ready to have your life test scored?”

Most vendors think what they have is around twice as valuable as what a buyer thinks it is, and being told that brings on all sorts of behaviours that usually mean they fail to sell. And if succession has not been dealt with, it goes to zero. A different iteration of the “Is this it?” syndrome.

This depression or sense of failure sometimes drives increasingly desperate or risky behaviour in the pursuit of the next big adrenalin hit.

One real success story from nothing; an Invercargill teacher, one of the most psychologically stable and successful guys I know, said to me once…

> *“Bruce, most rich people are very sad, dissatisfied and depressed people. The reason is, they do not define success.”*

The best cure of this boredom-must-do-something ailment is to write down what success looks like. When you get there, stop, pat yourself on the back, celebrate, and either remain stopped or set a new success goal. Everyone needs a pat on the back occasionally.

The 'more' disease

The endless chase of more wealth for its own sake, the addiction of continual growth can be its own undoing. Why? Because such a pursuit burns time, health and energy which invariably means that the preparation of G2 is missed. This can result in G1 being resented by G2 and the probability of dissipation increases.

Excess consumption

When the big windfall arrives, it enables a complete change in life for the recipient. Sometimes they respond to this with stupid consumption.

"Bruce, I want to buy a formula one race car, can we make it a business?"

Sure, you can afford one, but don't fool yourself; it will burn money not make it, please only buy one.

He ended up with three as he also had the 'overconfidence disease' and a need for an adrenaline rush. Three years later and he's back to zero.

"Bruce, it's my money, why can't I drive around in a pink Bentley if I want to, or even two!"

Because others judge you and the flaunting of wealth just isolates you. New Zealand is a country that resents tall poppies.

Fear and paranoia

In effect this is a fear that having made it, someone is going to come along and take it from you. This drives complete inertia in terms of capital deployment, and a default to zero or near zero risk taking. In time, of course, asset inflation makes monetary sums increasingly insignificant.

Fear and paranoia are a sort of living death for any who suffer from it. In the wealthy it usually brings about a slow decline in their wealth over time. This sometimes feeds the depression and sense of failure.

Isolation

If you are a working-class kid from south Auckland, with the manners and cultural nuances to go with it, and you have the wealth to live in Paratai Drive, where do you belong? Will the Northern Club members truly welcome you? Will you be comfortable around them? Will you feel insecure in their presence?

What about your mates from Māngere, how can you relate to them? If you buy a new car, what will they think? You don't want to go camping anymore. Fred can't afford to do what you want to try now. How will Fred feel if you offer to shout him?

It is bloody hard moving around the societal hierarchy. You can end up having to pretend everywhere (highly stressful) and run the risk of losing your sense of self.

It is quite tough for those that make it. They are vulnerable and unprotected by the law. The financial markets regulations protect retail investors, those with less than $5m of assets. The shiny shoe car salesman knows that all these psychological traumas are going on in the heads of the newly rich, and they target them.

Many fail after they've been successful for all sorts of reasons, but the survivors then must then think about what will happen to their kids. If they have survived the psychological and societal trauma of rapid wealth, they will want their kids to as well and are often at a loss as to how to prepare them.

Quick check list of things to help you survive getting rich

- Define what success looks like so you can pat yourself on the back.
- Avoid the envy of others. Celebrate your own success.
- For at least 12 months after a significant change in your wealth, do nothing. Pat yourself on the back feel good about it, make no decisions on anything big.
- Work out who to trust, and who not to trust. Make sure you find a trusted advisor if you do not already have one, someone you will listen to when they tell you, you're being a dick head.
- Avoid arrogance and being flashy.
- Remember to keep walking, i.e., don't get so scared that you do nothing.
- Start spending time with your family and prepare them for what is coming down the pipe.
- But above all else, remain real. A purpose of wealth is choice and freedom. Learn to not give a f*ck. Compulsory reading: "*The subtle art of not giving a f*ck.*"

By the way, you are not alone. We are a wealth firm. We have nearly a hundred families such as yours that we look after and care for. We think of ourselves as their extended family and they ours. ■

I have a dream, and you will have it too!

Bruce Sheppard, CEO of Gilligan Sheppard

When a G1 (first generation) wealth creator has a business or an activity they are proud of, and have a dream for its future, the most common mistake they make is to assume everyone else also has that dream too. Their children. Some of the worst tragedies that I have witnessed are the G2 (second generation) children living their lives in pursuit of a G1 dream that is not their own, out of obligation.

One example was the grandson of a founding Auckland father who had run his grandparents' business for more than 20 years. During his tenure he did not grow it at all, and it quietly ran down. He came to me, and said...

> *"I just can't go into the office, I struggle to get out of bed, and it is more exciting to watch the rain than face another minute in this business."*

In his case, he had made the decision not to run the business while his father was still alive. He had his own dream and had even started down that path. When his father died suddenly his mother said, "Come in and run it for a couple of months." That was two decades earlier. Such is the pressure of family and legacy.

Another grandson was convinced by his father that the family dynasty was all his to run. The grandson became my client while the business was on its way from greatness to mediocrity. The grandson believed that his father's dream was his own. He was not as passionate about the business as his forebears. The business to him was simply an economic instrument. He did all the right things, he appointed a CEO, also a good capable guy, he retreated to being on the board with some of his own children, and a group of 'professional' directors. The business lost its way in terms of leadership, as well as its vision. The grandson did not have his forebear's passion - he had suppressed his own dreams.

In both cases, there was no choice but to sell these companies for what we could to free these people from the dissatisfaction of living other people's dreams.

There are some good examples as well. In one of our client groups, G1 actively brought their children into the business while they were still actively involved themselves. The children worked in all aspects of the business to find that which they enjoyed. G1 grew the skill and value sets of the children. They also brought some of the employees into the fold. The children embraced the family's vision, valued the G1 employees and support crew, and now G2 are running an even larger enterprise than that run by their parents. What makes this case so compelling is that it involved three families where the G1 team had been partners for over 30 years and the children of two of those families now run the business with the trust and confidence of all three families. Sometimes it is useful to redefine 'family' beyond simple bloodlines and marriages. In the words of one of my enterprise partners, "We are whānau."

Retain the duchy* or commence the journey to serfdom?

The common dilemma with substantial wealth is the decision between trying to keep the critical mass together and dividing it up. Dividing it up, as in feudal times takes a duke to a crofter within a few generations.

Keeping it together still requires a driver, and the bigger the family gets the more hierarchical it becomes with some in the driving seat and some passengers. Inevitably when it is kept together, someone in the family must run it and the rest of the family simply receive distributions. Power, information, and opportunity become unequally held.

Over time, this can lead to resentment, as some in the family have more power than others. Those with power resent the 'tit-sucking trust fund kids' who do nothing. Those who have been disempowered resent those that have been favoured with power and control. These resentments often boil over, the family enterprise becomes dysfunctional, and the wealth gets broken up and dissipated.

There are many public stories of this type of dysfunction, few of success, probably because success rarely gets exposure to sunlight. Or it may be because those who experience success don't require external validation and better stories come from dysfunction and dissatisfaction.

Having spent time around some wealthy families sorting out the economics left after the fights, and having observed their behaviours, some elements are present in successful outcomes.

Family mentoring

Focus on making your children independent in spirit. Try to get them to understand that no matter what, they will be secure, and have choice. With this gift, encourage them to discover selflessness and generosity to others. Without this the rest will be hard.

Listen to their dreams and encourage growth and experience. Expose them to what you have done and learned, tell them your story.

Get the children involved early

Introduce them to your networks and encourage them to make the best of it if they wish. Involve them if they wish in what you do. Let them see and understand what is important in each business, to be clear what they think is important, not what you think is important.

**Duchy: the territory of a duke or duchess.*

Identify and grow leadership

If some of your children are willing to lead a combined family endeavour, remind them that the purpose of leadership is to get everyone to the end of the journey, and to treat their followers with fairness, respect and understanding. Teach these children business leadership skills, and more importantly, the skills of governance. Remind them that governance's purpose is to...

> *"Run an enterprise knowing that those who are not making decisions around the table with you are utterly dependent on the quality of the decisions you make."*

With your remaining children, try to get them to appreciate that staying part of a big pie will protect, secure, and reward them better than having 100% of a smaller pie on their own.

Trust is everything, nothing new in that!

The child or group that will run and govern the bigger pie, must have the trust and respect of the others. Remind them that trust is hard earned and easily lost. Consistency and transparency are important. Absent that, the family endeavour will fail.

The rewards of staying together must be measurable and tangible. Just as in business.

If all do not feel part of the whole and trust the leadership and governance skills of the child leading the family enterprise, that child's life will be a living hell of sibling sniping and resentment. Either the followers will force the dissolution of the enterprise, or the child leading it will. Life is too short.

Philanthropy... a grooming act, or is it an acknowledgment of failure?

Some wealthy families give their children an allowance for charity. The aim is multifaceted but includes the idea of giving the child a sense of the scale of wealth, while not allowing it for themselves. Prohibited cake. A hope is that the act of giving money will teach selflessness. It doesn't usually work.

In well-established family's charity is often a core purpose and legacy.

"We make money so we can give it away."

Thus, a fundamental grooming act of the children is to understand the giving it away part, in order to understand the family legacy. I have found in most cases, that two or three generations on, families struggle to understand this. If the G1 dream is to fund charities, it is unlikely that this dream will be shared by G2 and G3.

Charities can often become like the 'tit-sucking trust fund kids', needy and demanding. Getting needy kids to admit more needy kids into the family, is often a struggle. While the leaders in the family will probably be indifferent to a squawking fledging, be it a family or a charity, the noise is the same. The guilt trips they will have to endure are different, however. Not bad training in itself if you want to really kill empathy in your family leaders.

The will

Treat all your children equally on your death. I guarantee you, no matter how much is involved, you must do this or you'll create a blood feud that will last generations.

Make sure enough is distributed that the independent spirit can be free to fly, so that each child has the choice to pursue their own dreams and on their own terms. Give them free will and choice. It will make it easier to leave the surplus wealth in a joint pot.

If you have critical mass of wealth beyond the reasonable needs of your children to achieve freedom, what do you do? Distribute the lot and divide up the estate into smaller sub critical mass units, or keep it together? How do you decide how much is enough? What would your children say if you asked them? Have the conversation.

If having asked them you find that you have more than enough to allow your children to achieve freedom and choice, treat the surplus with responsibility and treat its possession as a privilege.

If you have obtained wealth through business, remember the lessons of business and governance in thinking about how to deal with the enterprise your family has become. Who among your children will take this responsibility, and if none of them how will the governance processes work? Power and responsibility rarely devolve equally but it does have to devolve, and extreme care and preparation are essential.

For many, when faced with the fear of ruining their children's lives through wealth that they are unprepared for or facing the trauma of continuing without leadership from a family member, choose charity or charitable trust structures to alienate their wealth from the family. This usually creates resentment of the G1 by G2 through to G infinity. If your legacy is the memories you leave behind, taking the chocolate cake away and leaving a permanent reminder of the deprivation is a sure-fire way to adversely affect the legacy of your memory.

If you have failed in the preparation of your family, keep it simple - throw the lot at them equally and let them sink or swim, Darwinism at its finest. You will still be resented for not preparing them, especially if they lose the lot, which mostly they will.

Help is out there

The final act of the Baby Boomer* generation, is to preside over the largest passing of wealth in human history. The next few years is both a threat and an opportunity as to how our society will look over the next 50 years if this transition occurs without planning and purpose.

Gilligan Sheppard is actively participating in building a community around this issue - a tribe of professionals wealthy in their own right. ■

> *Better to have a plan and good preparation if you want any dream at all to flourish.*

By the way, some are not too concerned about this; it is their conscious and planned purpose.

Some also choose to skip a generation and drop wealth and control down to grandchildren. Without procuring your own children's agreement to this, you will drive a wedge between your children and their own children that will struggle to heal. Just as it is your responsibility to parent your own children; it is your children's responsibility to parent their children, don't interfere with that, it will be resented. Perhaps when considering this, you should reflect that this is the ultimate acknowledgment of your own failings, and this is the most charitable interpretation your children can put on such an act.

**Baby Boomer is a term used to describe a person who was born between 1946 and 1964.*

Feeding the squawking chicks

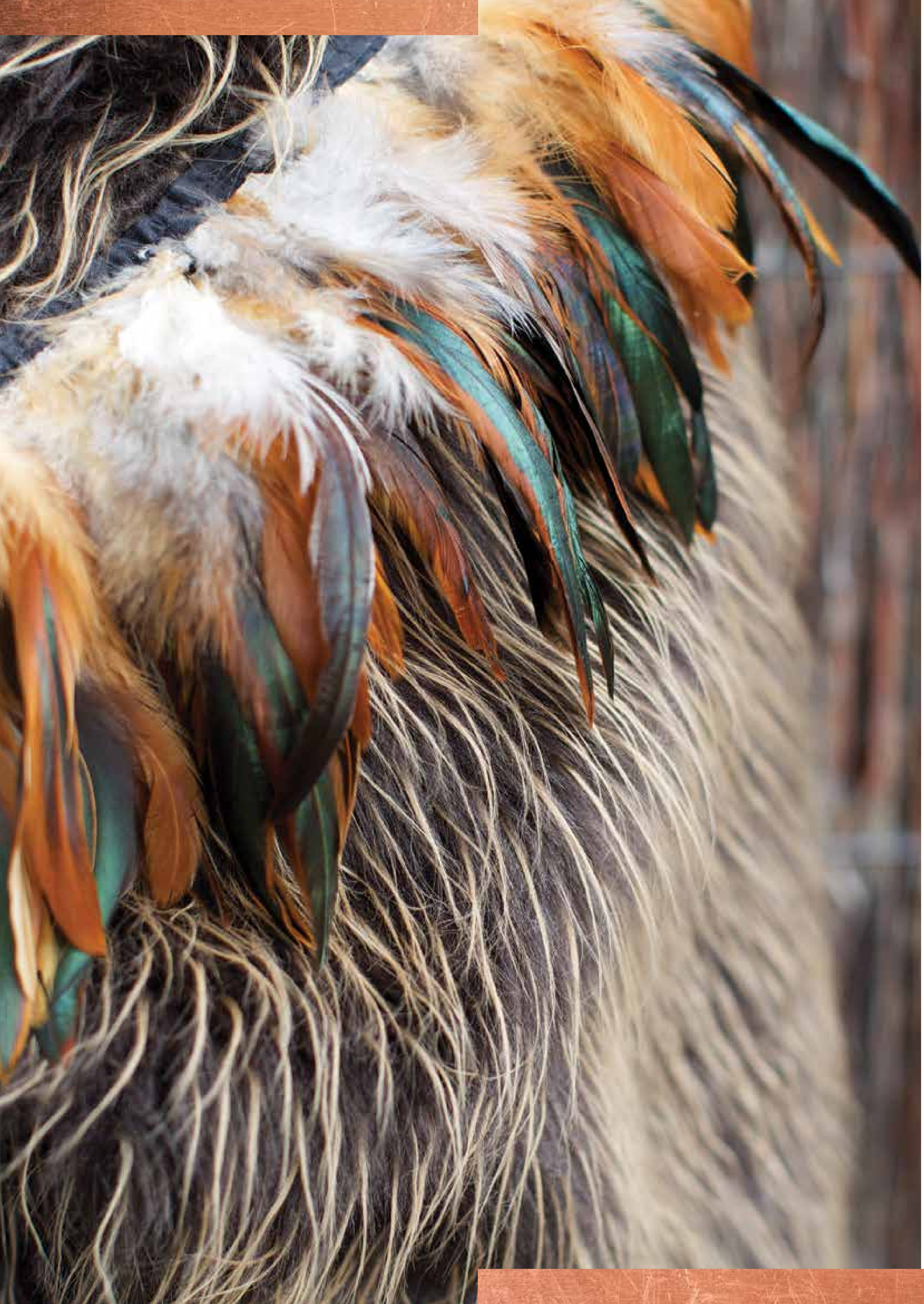
Bruce Sheppard, CEO of Gilligan Sheppard

You wanted to run a pension fund… didn't you?

So, your family has made it – you've achieved enough money and assets not to worry anymore. Generation One (G1) is now considering 'what next', or maybe G2 is now in control. There's a pile of stuff to be sorted through and thought about. This family wealth now needs governance to ensure expectations are met and perhaps consider doing something useful – something that the family can feel good about and can remain together to do.

It may even emerge that the family has competing dreams, but how do these get reconciled and managed and, more importantly, satisfied?

How do you balance meeting the expectations of those that either have them, or worse, those that have been created by time and inopportune conversations? Add to this the desire to remain relevant, connected, useful and purposeful in pursing the next dream you have for yourself, your family, your country or the world and humanity.



Honestly, it's easier not to feel these responsibilities that come with the privilege of wealth, compared to just spending it on one's own pleasure.

My wife says, and it is a useful quote, "All assets are liabilities." What I think she means, is that assets demand your time. You must think about them, worry about them and tend to their needs. In reality, you don't. You can do nothing and forget about it all, as long as you can comprehend and accept the consequences of just doing nothing.

Never forget that the choice of not making a choice, is in itself a choice, even if you don't see it that way at the time.

First up, do you want the responsibility for others' wellbeing and satisfaction? If not, conspicuous consumption or just doing nothing could look attractive. If you do want this role, what are the expectations of your family and the attendant charities?

If expectations are yet to be created or defined, then consider what can be created, what benefits to provide and then how they will be met. This is no different to running a pension or endowment fund. If this is your gig, then great, but if not – how will you do this?

In all pension fund assessments, there are a bunch of benefits to be paid – people will live until they die, and in due course there will be another generation and a new bunch of entitlements and so on. The more expectation you create, the more expectant squawking chicks you have, the longer they live and the faster they breed, the more the pension fund will need to have available to feed them. Consequently, like most large pension/endowment funds, your fund will be underfunded. Effectively this means you run the risk of running out of cash before all squawking chicks have died. Pension funds going broke is an ugly situation for the people running them. NEVER run out of CASH!

The factors in working out how much is enough to satisfy the squawking chicks are as follows:

- Manage the expectations and define the benefits.
- Based on life expectancy (and if applicable birth rates through time) and the likely number of chicks alive and squawking at the same time, determine the maximum amount of further benefits that will have to be paid (an actuarial assessment overlaid with a demographic study).
- Work out how much capital you need to set aside to fund those entitlements until they expire. Clearly the amount you must set aside is reduced depending on the return derived by you on these assets.

With conservative funds now getting close to zero in net return and negative returns when adjusted for inflation, the amount you need to set aside to run a pension fund is potentially greater than the face value of the benefits offered.

How do you reduce the benefits (always painful), or increase the return on the pension fund assets (like moving to growth or aggressive asset portfolio designs)?

If the latter, then the pension fund requirement to hold cash increases, as aggressive and growth funds can track in loss for a considerable period. Being forced to liquidate assets at an inopportune time means that the pension fund assets take more risk and potentially derive a lower return than a conservative fund.

The good news is that running pension funds by comparison with selecting and managing a wholly-owned business or a portfolio of such is a hell of a lot easier, but a hell of a lot more boring. In the words of my now deceased uncle, "This is like watching paint dry."

There are very few large family offices in New Zealand and even fewer that feed across ever increasing generations. One such family office is the Todd family. Recently, they sold their property assets to focus on oil and gas; a brave play, but also perhaps to rebuild cash due to the compounding nature of expectations and defined benefits. That however, is their business. What this underlines (if perpetual benefits are contemplated), is that the expectation and entitlements will eventually outstrip the capacity of the capital to pay them.

Unless you use charitable trusts or companies, which have perpetual succession, your assets will devolve to your family within no more than 125 years. The Trusts Act 2019 has extended the perpetuities period from 80 years to 125 years. Thus, at some point your squawking chicks will get their share and have to start feeding their own squawking chicks.

If you use a corporate structure to hold together the critical mass of capital your family has created, then what the chicks get is shares in a company that is now running a pension fund and an investment office. The defined benefits become a simple dividend per share. The chicks can sell their shares, and if you choose to, you can regulate whom they may be sold to – other family members, for example.

This is also a great way to create family feuds! But in most circumstances, this is better than the alternative if you want to create a shared enterprise with a shared purpose while holding together the critical mass of resources required to be effective.

There are precious few widely held family companies that have stayed together as a family enterprise over a long period of time. Even less have done so with no public animosity with each other.

I can think of only one example that has achieved longevity as a family enterprise. I'm not saying that there are no family tensions in this extended family, or even that the business they operate is exceptional… but it is a business that has existed in its current form for nearly 100 years. It's still owned by the lineal descendants of the original founders going back to the 1880's, and as such, is part of the Auckland landscape with a living legacy for their families and community.

They are not clients of our firm, I can't even say I know them intimately, but they are a family I am proud to have shared a building with for over 35 years – Smith and Caughey Limited and the Caughey family. The company has 64 shareholders, including some past executives that have become part of their whānau. Eighteen of these shareholders are trusts or estates with another generation coming through, and there is one well-known Auckland charity – the Caughey Preston Trust Board. The directors include six named Caughey's, one other relative and one ex CEO who honoured me with an invite to his farewell a few years ago.

The CEO is a Caughey, as is the Chair. The Chair has a life outside the business and so do many of the other shareholders.

They appear to be a family that has worked out how to stay together, what they are about, and executed that with humility, determination, and a set of values around how you do business that makes them quite exceptional. The CFO (not a Caughey) recently said the AGM's are a delight, a sort of family reunion and annual catch up.

How does this relate to this dissertation on working out what your pension fund might look like? It's only to give you context. In 100 years, if you want to keep your wealth in some critical mass, ultimately your family office will be a corporate structure and through time the share register of your family office will widen out. ■

The recipe for successful family investing

Rebecca Thomas, CEO of Mint Asset Management

When you have decided on where you and your family want to direct the wealth you have created for impact and purpose, the next stage is to plan the investment strategy to make this a reality.

The 'base layer' portfolio needs to take care of supporting family members' needs and wants, the impact of inflation and unforeseen events in respect of both family and financial markets. Currently, and for the near future, we have very low or negative global interest rates. Particularly in this environment, bank deposit returns cannot keep pace with the price increases in many non-discretionary goods and services or provide the necessary capital growth for this base layer to be sustainable and fulfil its purpose.

How do you go about achieving this?

You need to think like a long-term institutional investor. Seek out credentialed investment professionals who can help you.

Generally speaking, you can cut out layers of cost by dealing with an investment actuary for advice and engaging directly with fund managers who actually do the investing themselves.

An investment consultant (usually an actuary) will work with you to develop your thinking about a realistic rate of return for an appropriate level of risk for the base layer portfolio. This involves creating a Statement of Investment Policy and Objectives (SIPO). This is a framework for governance of the portfolio, setting its purpose and objectives, the investment philosophy or beliefs around investing, expected returns and strategic and tactical asset allocation limits.

A full exploration of the family's attitude to risk will be useful in and of itself. How much capital can we afford to lose and for how long? Clearly setting down your beliefs and risk tolerances will help you hold your course when markets dip or do not perform as expected. You will know you have tested a range of investment scenarios and hopefully, will have developed conviction in your approach. Going through this process with an independent actuary will help avoid the pitfalls that many individual investors make, such as chasing high returns, paying too much for active management, and dealing with the inevitable volatility of financial markets.

When it comes to selecting managers for various asset classes, there are some assets that are best suited to a passive or index-based approach and others where active management can add real value after fees. Rational, institutional quality managers charge fees that allow them to deliver 'alpha' – a premium return over the benchmark after all costs. An investment actuary can help you identify such managers for these parts of the portfolio. Delivery of these returns on a consistent basis is hard, because at times, large pools of investors prefer larger companies to smaller ones, growth styles over value investing or domestic versus global GDP exposures, and so large money flows influence performance.

While past performance is no guide to future returns, I think it is an indicator of a manager's skill if they have delivered consistently superior returns over a long time horizon. By contrast one or two years of 'shoot the lights out' returns is not what long term investors seek out. These may have more to do with luck or excessive risk taking than skill.

What other factors should help you identify a good quality manager?

Sufficient resources to research and implement good investment ideas, skin in the game (an alignment with achieving the investment goals of their funds) and a clearly thought-out investment thesis for how they construct portfolios.

As with your choice of actuary, independence is a good thing. There should be no conflicting business imperatives from your investment professionals to select a particular fund or manager or invest in a particular way. Be on the lookout for conflicts of interest or hidden fees and commissions, which are inconsistent with delivering the best outcomes for your family as the client. ■

Story telling matters

Bruce Sheppard, CEO of Gilligan Sheppard

The old saying that you can't sell a secret resonates. If no one knows the story, the story doesn't matter.

In the context of wealth, if upon your passing, the story is told by lawyers and accountants to the survivors, the story will be... how can I say it, boring and digits focused. Digits and money without context and story are inanimate. The relationships and the how wealth came to be give context and value to the legacy beyond the digits, but more importantly allows those who follow to appreciate the good, the bad and the ugly of the prior journey, and draw such wisdom that resonates with them.

So why do we hold back on telling our families our stories?

- A belief that they don't care.
- A belief that it will harm them.
- A belief that they are too dumb and won't understand.
- A belief that the story isn't worth telling anyway. There is nothing new, inspirational, or enlightening to be told. Misplaced humility?
- They know it anyway so why bother examining the past?
- A perception that there is plenty of time, or the time is not right for the storyteller or the audience?

They don't care, they know anyway

Until you ask them, you won't know, will you? Mostly they do care, not only about your story and that of your forbears, but also because they want to understand their own journey with you.

Have you noticed as we get older how many of us are interested in our ancestry? Not just who they were, but what they were, and what their lives were like? Absent that interest, Ancestry.com would not have a purpose, would it?

They care because they want to seek understanding of their relationship with you, and your relationship with your partner, spouse, or business partners when relevant. Often you will have regrets that you traded off family time to purse your other interests, making money, running a business changing the world (or whatever). These trade-offs are remembered differently by those affected, and often not fondly. Telling your story gives your family context for the events they perceive differently to you.

Giving them explanations will help them balance out how they feel. Don't expect the storytelling to be simply giving a lecture. They will ask questions. Pause and allow that to occur. They will engage and seek understanding and lessons and values from you as part of the questioning. Start at the beginning, tell a short story, and fill it out by answering questions. I have found that mostly the next generation don't care how much, they want to understand the how, who, and what. That is the story they want to hear.

I have only had one instance where there was a serious disconnection. One child didn't give a toss, and said to her father, "When you die, whatever I get I am going to donate to a charity to save the snow leopard." The father knew the politics of the 30-plus-year-old child and didn't expect much else from her.

It will harm them

It might, but not telling them and leaving it to the lawyers will harm them more. If they understand the effort taken to make your money, the risks, and the sacrifice, which they travelled with you, they are more likely to see wealth as a privilege rather than an entitlement.

You have a better chance of enabling your kids with knowledge than disabling them. It really is about getting them engaged in the story.

Your wealth legacy and understanding the why and your purpose will help them find their own purpose earlier than would otherwise be the case. It won't necessarily be yours. Saving the snow leopard is a valid purpose after all, so let us not judge.

They are too dumb, and they won't understand

Unless they are disabled, this belief is more about you than it is about your children. I recall travelling through a flooded area in the South Island with one of my own kids. He came up with an application for pressure values that I thought had merit. You might be surprised at the intellect of your kids if they engage in what you are telling them and what you do.

Don't for a moment think that a novice doesn't have ideas and dreams. If you want originality, ask a kid. If you want to know why something won't work, ask an old bugger.

Here is another lesson; just because something didn't work for you, in your time sequence, things change. Things that didn't work before now can and do. The conversations create new ideas and new dreams and your journey and experience inform the next generation of things that have gone wrong before so they can find a way around them.

False humility

Things that don't seem to matter when you did them, when you put time and compounding actions and reactions over them create some awesome outcomes. In short, every life matters. All actions leave a ripple. Don't forget this is your and your family's story. It matters to them and the contributions you have made which may seem small to you may not seem so to others. Every story is worth telling.

There is plenty of time

As you age, the dreaded day of no more time has a greater probability of occurring. Have a read of the death notices to give you a clue to mortally.

"Died suddenly ... died after a long period of illness ... died tragically." Not one says, 'died after a long period of planning'. The only one that gives you time is when you are ill for a long period. You won't feel like telling stories while battling illness.

If you are not ready for the conversation at least record your story somewhere. The family will value that at least once you are gone. Do this for them; it is not about you.

When and how to start the actual conversations and confront the questions, the regrets, and the anger in some instances, is a different matter. And yes, it is frightening, but if you have made it to serious wealth, you will have had some pretty challenging things to confront.

You know when you precede with fear, the wolves smell the blood. When you proceed with confidence, they pause and observe.

But when to start the conversions is delicate, everyone must be ready. ■

"What you leave behind is not what is engraved into stone monuments, but what is woven into the lives of others."
Pericles

Getting ready for the story telling

Bruce Sheppard, CEO of Gilligan Sheppard

Firstly, there is no right time. Kids are ready for story telling at quite a young age. They loved it when you sat on their bed as toddlers and told them a story. Arguably the longer you take to start, the less engaged they will be with you and the story. The age does change the emphasis and the method of delivery. The older they get the more they will understand the detail and the more questions they will ask, and possibly the more disengaged with you they will be. So just start!

Secondly, make sure you and your partner are on the same page and are both ready and armed. Your spouse's perspective will be different to your own, and the experience of the journey will be different. Even if they did not know the journey they were on, they were on a shared journey nonetheless.

Thirdly, be very clear of your objective, and like any business deal with a new customer, supplier, or partner, it is a journey that you take them on one step at a time. What does success look like from this effort?

- Kids engaging in their wealth and understanding what it means.
- Kids interested in some aspect and wanting to be at your side.
- Or simply giving them an understanding of your purpose and methods so they can learn and find their own.

Fourthly, prepare. For example, understand where everyone is in terms of awareness and attitude and ensure they are feeling emotionally safe.

Decide on an approach based on that assessment; case study storytelling, trunk of wealth source of everything storytelling, or values and moral storytelling. It's all there; it's just selecting what you break the ice with that keeps them engaged and questioning.

Plan the time; if they are adults, quite formal might work. If they are younger children, fireside stories, when they are all relaxed and open might be best. Sometimes weaving the stories into other things can work too, but whatever method timing and venue you use, plan it.

Set reasonable expectations of yourself. This won't get done in an afternoon. Likely it will be a chapter a night. Plan it like a book or a TV series and try to end with the audience looking forward to the next chapter. Don't forget to pause and ask questions. Sure, it may mean you only get through half a chapter, but better to flesh it out by engaging in what matters to the audience rather than what matters to you.

As the story accumulates, bring it together once the anecdotes, failings and successes over a long journey are told, then paint them a picture of where they are now - the tree of wealth.

The roots first, values, culture, and principles of life guiding forces – this is what gives your tree sustenance.

Then talk about the trunk, the prime asset from which everything else grew, the first thing; why it was important? If you still own it and it is relatively minor, then it is the trunk through which the nutrient flowed to the now larger branches. Explain how that works if it is the case. The seemingly insignificant needs to be understood.

Describe each branch and the fruit it produces and make it human by describing not just the economic income but the activity, and the people and things that bring out the culture and strength of each branch.

Where the branches overlap, describe the connections and why those connections make the whole tree stronger.

If you remember that wealth is a people story, not a money story, it can be more digestible and engaging. At the end there will be a balance sheet and a number, but you don't need to lead with it (audience assessment permitting). ■

Why your debt story matters

Lisa Garrud, Marketing Executive at Gilligan Sheppard

As important as your wealth stories are - how you earned your money and the lessons learned along the way - the same can be said for your debt story and/or lessons learned along this pathway so that the next generation doesn't make the same mistakes.

Let me start by saying that I wasn't raised in a wealthy family, and neither do I have monetary wealth to my name. What I have is what Bruce mentioned at the start - attitudes, knowledge, experience and networks.

The other day, I was having lunch with my now left-home, only-child, grown-up daughter, and was able to share some of my debt stories. I learnt that this has just as much, if not more power than a wealth story. Here's a summary…

My career ended in a burnout. Literally. At the age of 28 I hadn't learnt how to say no, and when I was almost at the top of the ladder, I burnt out. I was juggling a career and being a single parent to a toddler.

After some time away, regaining my mental and physical health, my first step back onto the ladder was working when I could – selling website developments on a commission-only basis. This was round-number-one in the business world.

The first lesson was in systems. I ended up being so successful that I outgrew the commission arrangement. They ended up owing me thousands, which I planned to use to pay the IRD in tax and GST. The relationship failed and I never received what they owed me.

My round-number-two continued with marketing services as well as websites. It was a cycle of getting the work… doing the work… getting paid… and then back to the beginning again.

When you own your own business, it falls into one of three categories:

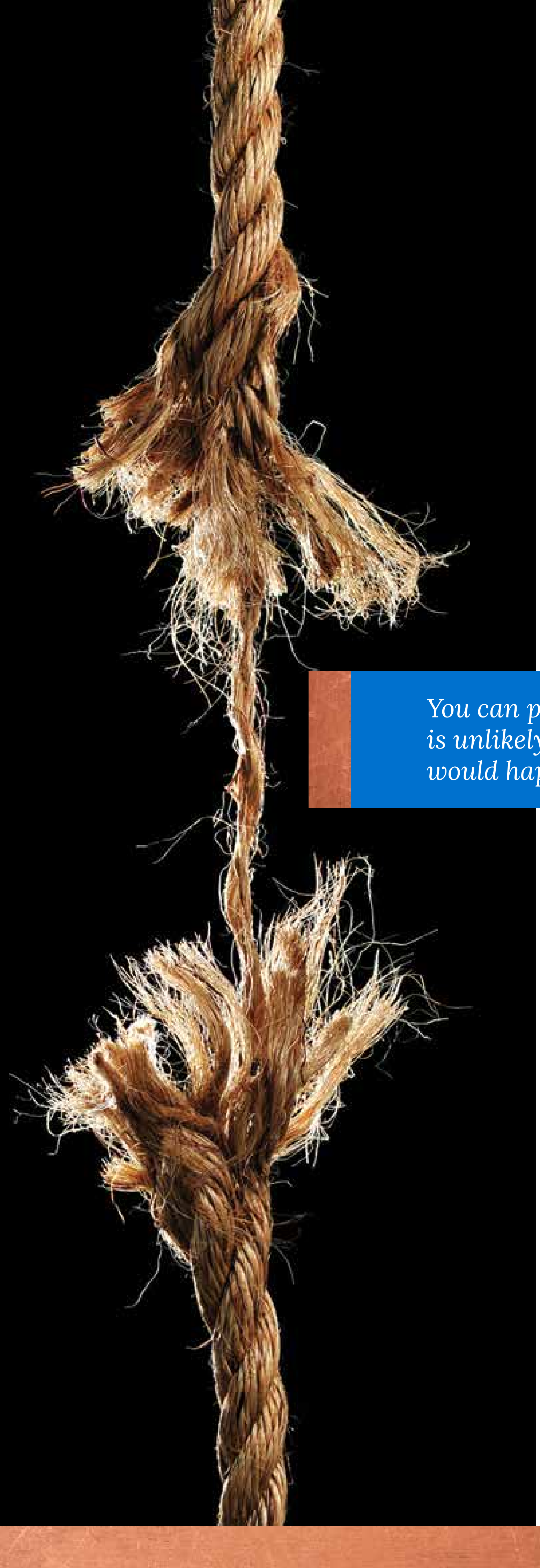
1. It's a hobby or something you do with your time; your lifestyle is not dependent on it.
2. You've created yourself a job and you rely on it as your sole income.
3. You are growing something so that one day, you don't have to work.

There is also a 1.5 and a 2.5 category – a little in between the ones defined above.

Mine was #2 and the first and second time around, I wasn't interested in growing. So, when I was 'head hunted' for a role in another business, I took the ego-stroke, the regular pay (and an increase) and shut the business down.

Nine months later and with my new income, my primary-school-aged daughter and I, moved into a nicer place to go with our nicer lifestyle. I signed a one-year fixed lease and one week after moving in, my employer went into liquidation. I talked with the liquidators and set about restarting my business to help the clients who had been left hanging in the middle of their website developments (this included Gilligan Sheppard). I applied for, and received, a small benefit to tide me over until I could generate some income from the business again.

I didn't get the liquidator's permission in writing. They eventually sold the client list to another company, and I was subsequently sued for 'stealing clients'. It didn't make it to court, and in the end, I was able to negotiate an ongoing and collaborative relationship with them. However, the government decided that they had overpaid me with the benefit, and I now owed them thousands.



This time, I made the decision to grow. By hook or by crook, the only person who could help me was myself. I planned my trajectory based on the experiences I already had, applying the lessons learned and I grew my recurring revenue until I had a budget I could use for growth. I moved into a commercial space and sub-let half of it until I could afford it by myself. I got all my ducks in a row from a legal standpoint and brought on my first employee.

I lost a large recurring-revenue client, the shared-space situation ended up at the Disputes Tribunal, and I had to hand-hold the employee I had hired in telling her sister that her partner had been cheating on her… with my partner… for five years.

I was done. I had no energy left. All trust was gone. And now my debt had amassed to $250,000 with no assets.

You can plan for something to go wrong, but it is unlikely that three of the potential setbacks would happen all at once. They did.

When I poked my head back out into the real world, it was to have discussion with my clients. To let them know I would no longer be continuing in business. I wanted to be employed again – salary in, bills out. Normal hours – those who are in business know that it never turns off, you're always thinking of how to improve and what needs doing.

One of those discussions was with Gilligan Sheppard. And it changed my life.

Their suggestion was that they buy my client list and I begin as an employee with them. It was a no brainer. I'd seen from the outside what kind of a company they were.

They became my new accountants, helped me wind up the business, and provided advice to get me get out from under the debt. The first decision was whether to go bankrupt or not.

I have seen people who start a business, spend up large, then go bankrupt to wipe their slate clean, only to do it all again. I did not want to be one of those people.

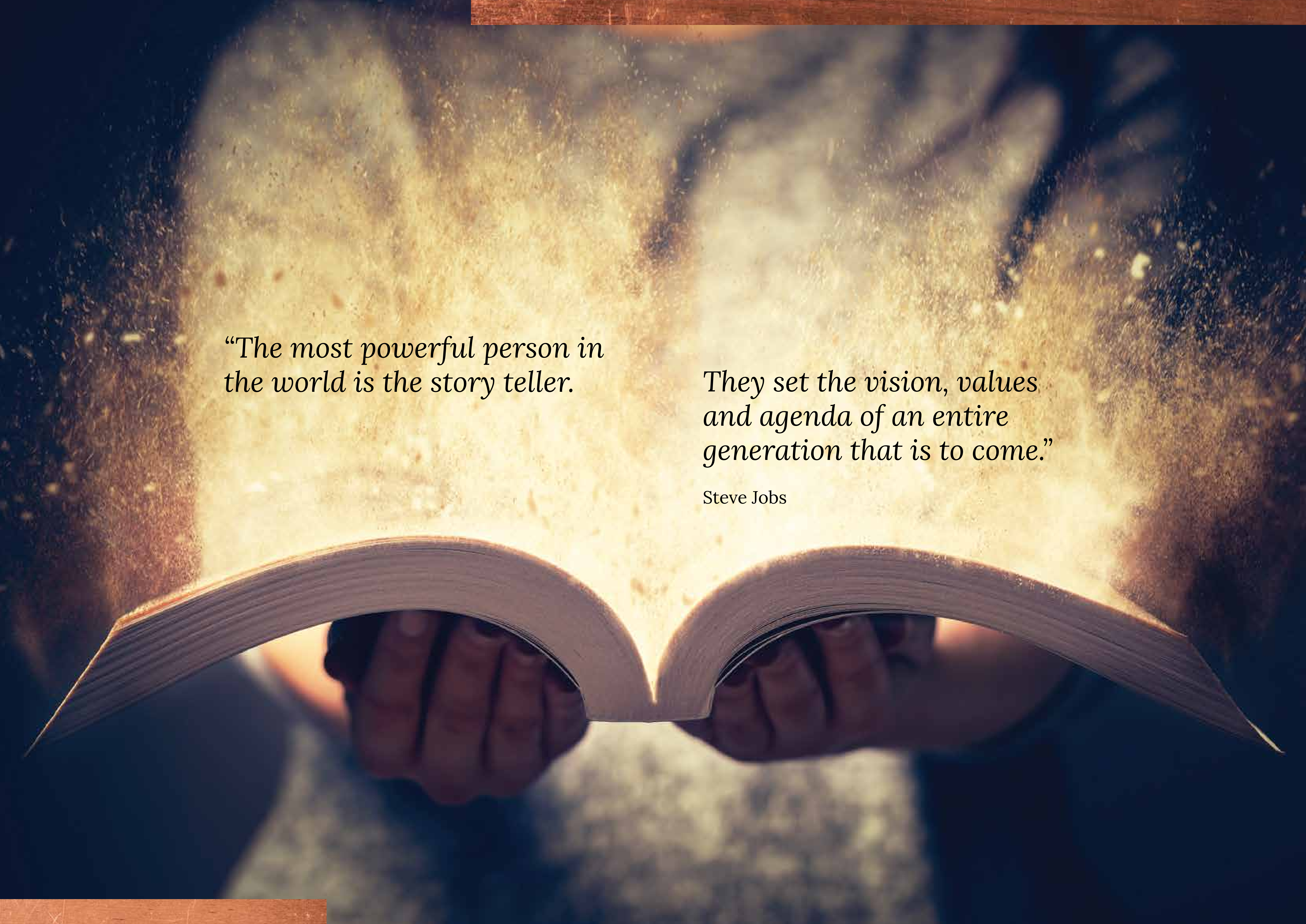
When people and situations let you down, it's very easy to blame everyone else, even if it's the truth. But at the end of the day, you are stuck with you, and only you can make decisions to change the situation.

It took courage and it was incredibly hard. Through a series of decisions, opportunities, negotiations, family help and working three jobs, I have now reduced that debt by more than 80% over three years.

But the one question that underpinned all of it… who do I want to be at the end of this?

As I was sharing parts of this story with my daughter, she came to some realisations. She wanted to do archery as a sport, but I just couldn't afford it. She didn't know that at the time. I had encouraged her to participate in team sports, so she played netball for a couple of years. Now it made sense to her.

Her confession was that she had no idea how hard our life was. It was a proud parenting moment; perhaps I didn't do such a bad job. But also, a realisation that while we protect our kids from the real world so they can have a blissful and happy childhood, there comes a time when we must also pass on the lessons we have learned. ■



“The most powerful person in the world is the story teller.

They set the vision, values and agenda of an entire generation that is to come.”

Steve Jobs

Successful business owners celebrate milestones differently

Rochelle Clarke, Founder of Succession Strength

Milestone celebrations are common. Birthday parties, coming-of-age parties, wedding anniversaries, graduations, business anniversaries, etc. As humans, we are obsessed with marking the passage of time. In a sense, it indicates progress and advancement.

While these occasions are typically celebrated with the gathering of persons, sharing of a meal and a feeling of joy and jubilation, what typically stands out are the 'Remember when...' stories that invariably get retold from the archive of someone's memory. A healthy dose of nostalgia for the pleasure of those gathered. Sometimes funny, sometimes embarrassing, sometimes too long, but always, memorable.

In a nutshell, that's the power of storytelling.

Our brains are wired to pay special attention to stories. We receive and process them in a much more personal and profound way than we do other forms of communication. This is what gives stories a unique power to touch our hearts and minds.

The changing of the guard

It's no secret, with more Baby Boomers retiring every year, businesses are changing hands. Many will be passed to family members, and some will be sold to parties outside the founder's family.

Stories have been and continue to be the flame that keeps the initial fire of the founder's passion going long after they may have exited the business. They enshrine the blood, sweat and tears that went into building the business and serve as a cultural tie that binds existing employees of a business to a shared purpose.

Regardless of the business' path, stories remain central in marking the transition from one generation to the next. To celebrate milestones, businesses are seeking out professional storytellers as frequently as they might have sought the local baker in the past.

Transitional storytelling: bringing the past into the future

Smart business owners have always understood the power of stories and have used it to build cultures and sell products. According to Nunzio Presta, CEO of BizON, an online marketplace for businesses, stories also play an important role in the sale or acquisition of a business:

"Great businesses usually have great stories... A great story can connect with a buyer on a deeper level, enhancing the entire purchase experience by making it more about a 'calling' rather than just money/business... This can ignite the buyer with a passion for the potential business and can play a significant role in negotiations - ultimately leading to a premium on the purchase price."

Stories don't just communicate values; they communicate value.

Sellers capture the hearts of potential buyers not only by presenting the business' performance data, but also, by building an emotional connection. That combination translates into real monetary value.

Even if you're not selling the business, storytelling is a powerful tool for communicating value internally. Increasingly, family business owners are realising that the road toward a successful transition is paved with storied intentions. Zaake De Coninck, Co-Founder and Director of Plantain Publishing, says this about the uptick in requests for the company's storytelling services:

"We have seen a dramatic increase in interest in businesses wanting to tell their stories. Stories are a particularly useful vehicle for transferring knowledge between generations and... allow organisations to navigate changes while remaining grounded in core values."

In our own work with family-owned businesses, we have seen both the need for and the benefits of storytelling, particularly in the run-up to a generational transition. For younger employees, stories help to reinforce the founder's passion and purpose.

A unique example of storytelling for a business' longevity is the Huntington Learning Center (HLC). Founded in 1977 by Ray and Eileen Huntington, HLC is a chain of over 300 owner-operated learning centers and is now in its second generation of leadership through Ray and Eileen's daughter, Anne Huntington.

As founders, the Huntingtons had a story to tell. As owners of a franchise, however, they realised that each of their owner-operators also had a story to tell about their own individual passion, purpose, and sacrifices. Through careful curation, the one enduring story of HLC is woven from the many strands of its owner-operators' stories and reinforces the strength of the company's culture, creating a strong anchor for the future.

Don't be afraid to tell your story

Some owners will bristle at the idea of sharing their stories for fear of appearing arrogant or boastful. However, according to veteran Fortune writer Pattie Sellers, who is now at Sellers Easton Media helping prominent families and companies capture their leadership stories:

"Storytelling is the most generous thing you can do. It's not an act of egotism. It's a sharing of invaluable wisdom."

Millennials' quest for meaning and impact at work already drives them to favour the connection encouraged through stories that unveil a business' purpose over the robotic and jargon-filled mission statements of some big-box conglomerates.

Companies that are doing well with storytelling right now are the ones where the younger generation gets the family story and wants to hear it told and retold for their sake and for the good of the company. They are often the ones requesting documentation of the stories to honour the legacy of their parents.

As humans in business, the desire to compete and constantly raise the performance bar is natural. Formats for storytelling have evolved to encompass the latest multimedia offerings. As Sellers indicates, gone are the days when a personalised book retelling the family and business' story would suffice.

Instead, in addition to elegantly bound books, Sellers reveals that she has seen a strong push for video and an increase in documentary-style storytelling which benefit both the business and family. She is increasingly being sought by businesses and people of a certain level of prominence, to capture their stories in the same way that she has captured the stories of leadership and impact of presidents and other popular figures.

Conclusion

Stories have the potential to preserve a business for generations. Business owners shouldn't wait for their successors to initiate the storytelling process. Instead, they should take the lead in telling their stories and telling them often. The younger generation often wants it, and the business needs it to survive.

Storytelling could be as formal as engaging the services of a professional to develop a video, presentation, or book conveying your company's story. It can also be as informal as taking five minutes at every corporate gathering to tell a tale or two from the old days of the company's founding.

However you do it, storytelling just might be the thing that lasts long after the celebratory cake and ice-cream are forgotten. They reinvigorate a business, reconnect it with its core values, and prepare it to sail through a transition from one generation to the next without missing a beat.

If your family has got enough to ensure the offspring will remain strong and evolve, what then is the other legacy about? ■

The purpose of purpose

Bruce Sheppard, CEO of Gilligan Sheppard

The counter theory of course, is that life is pointless. We are born, we die and then there is nothing. Perhaps we are simply organisms, a viral infection on the planet we call Earth and our only purpose is to breed and create more viruses.

If so, we are a biological specimen where each seeks the best mate to produce better offspring, so the virus gets stronger – that is evolution and Darwinism. Or, if we believe in an afterlife, wherever this place takes you, it is a legacy and or a memory or a story – then the journey itself takes some relevance.

Perhaps the point of life, is life itself, a very grand catch-22

Under this hypothesis, the point of each individual life is each person's role in the greater human journey and what they create, progress, or leave behind afterwards.

Maybe it's both. Maybe they both end up in the same place anyway. If we want to leave a legacy, why?

Often, it's to give your kids a better chance, (produce stronger offspring) or to leave the world a better place. The first is biological and easy to understand, the second is what makes humans aspirational and creative, more than any other species on planet earth. Probably biology as well.

Darwinism and survival of the fittest breeds competition - and competition is the path of aspiration.

If your family has enough to ensure the offspring will remain strong and evolve, what then is the other legacy about?

Does caring about things beyond your immediate family and creating a respected relevance for your family help its survival? Well, yes.

Absent being assessed by others to be relevant to enough of humanity, your family line will suffer the fate of the Russian royalty, eventually.

So, the purpose of purpose is to be relevant, leave a legacy, to feel through the journey of your life that it had a point and that you are proud of it, that others will see this, remember it and perhaps carry it on.

It's hard for that to occur if you don't tell your story, however humble you may think it is.

Discovering personal purpose and creating organisational or family purpose

An organisation can only create a purpose by compromising, trading, and blending the purpose of all that are involved in an organisation. Pretty hard to do this unless you know your own purpose.

Discovering self

Now don't beat yourself up. If you can't articulate what your purpose is, it doesn't mean you haven't got one; it just means you haven't seen it yet.

However often do the young say, 'This is my purpose' or 'This is what is real and important' and then change within a year or two? Don't beat them up, it's a part of experimenting and learning. Don't expect purpose to become clear until there's some experience and a journey to analyse… storytelling and analysis again!

As you start out you will make decisions based on opportunity and instinct. Some of the choices you make will leave you feeling dissatisfied, others, satisfied – and so the journey goes. Progressively you'll find things that make you feel happy or contented, and in these post-decision and outcome reviews, you will find a guide to your personal inner purpose.

If this is involvement in work, investment, or business (and if a purposeful business has defined what it is about and you plot their statements about shared purpose), and you correlate these with experiences you enjoyed, you will find the words to describe your personal purpose. Sadly, most businesses don't articulate their purpose, but you can usually spot it.

When analysing collective activity, don't get confused between what they do, how they do it and why they do it.

Purpose is the answer to WHY, not what or how. Once you have found your WHY it will be easy to see the hidden purpose in others.

Collective purpose

Your purpose is personal to you, but in coming up with a shared purpose this involves a process of blending individual differences into a common thread that all can agree on.

If you are now ready to think about your family's purpose, it starts with you being very clear on your purpose. Then, it involves a dialogue with each family member on their individual personal purpose. The problem as I said earlier is the young don't know what their purpose is, or if they think they do, they will change over time, but if you have instilled family values well the core won't change too much.

Creating a shared purpose usually starts with a discussion on shared values and culture. Usually easier in families than in business, but not always so depending on the nature of the family leadership from you.

If you have been a leader in business, you understand that it is your job to guide the creation of shared purpose in a business and then allow that to evolve and pivot as the participants change. Don't beat yourself up on that either, change is the constant dynamic of businesses, it is how they survive.

Culture and values

Back to the beginning, attitudes, culture, and values underpin all wealth and are a richness in themselves. Understanding the core values that drive your life will tell everyone in every organisation that which they can compromise on and that which they can't, in arriving at a shared set of values and a shared purpose. Locking in shared values is what ensures the purpose doesn't deviate too much, as values don't tend to change as much over time.

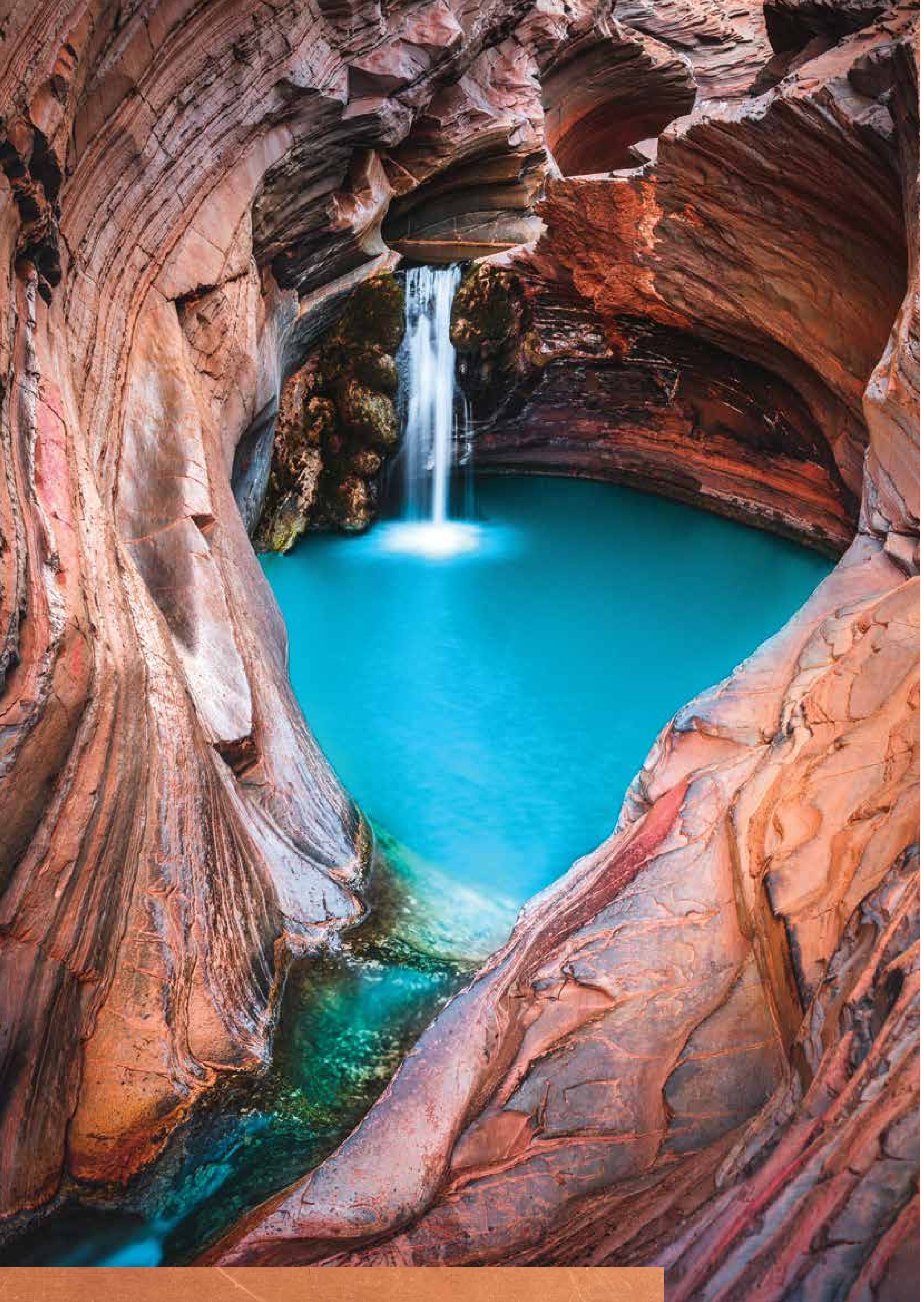
An example

My family is yet to find shared purpose, however our values are pretty well understood. It took me until I was around 50 years old to articulate my purpose. So analysing post-event my journey:

- Started as an auditor in the biggest accounting firm in New Zealand. Thought I was special as my parents gave me supreme self-confidence, was a rebel for the sake of it and would not tolerate any idiots I disagreed with. I was the world's worst employee. Discovered I hated big business, it seemed disconnected and impersonal. With hindsight, I discovered that it was making a difference to people at a personal level that mattered to me.
- Third job was in a mid-sized firm as a tax advisor. Highly successful firm, these guys made buckets of money but fought like crazy and I observed a whole lot of behaviours I hated. Sweating the small things and an over emphasis on control. Did I really want to be a partner in this firm? (Not that it was offered). If so, I had to admire, respect, and trust the people I was going into business with. In short, who you choose to be with has an impact on who you are. I did not want to be like any of the partners in that firm, I did not want others to think I was like them. Lesson: associate with people you admire and trust; avoid the rest no matter how tempting the money. People matter.
- Started Gilligan Sheppard. Its purpose has always been constant, if unarticulated but now it's in writing, agreed by all and the organisational purpose is clear, "We enrich our lives through enriching yours."
- Formed the Shareholders Association, its purpose only emerged in its fourth or fifth year of storming and forming. Its purpose is "Enabling, protecting and rewarding ownership."
- Argus Fire protects life, property, and the infrastructure of New Zealand.
- LPF, a litigation funder, levels the playing field and provides access to justice and polices the perimeter of bad behaviour.
- Winnow Software, invests in people with an idea we think we can help to deliver.
- New Ground Capital delivers societal and structural changes in housing and impact investment. (Postscript; while their purpose is laudable, differences of opinion about execution has resulted in exiting my involvement with them. This is only the second of such exits in 35 years).
- Connexionz improves the quality, predictability, and efficiency of public transport.

There are many others over the journey but the common denominator with all of these and all the others is:

Bruce Sheppard with his Order of New Zealand Merit for services to business.



Great people, deep connection, and selfless shared drive

My purpose is to enable, through effective partnering, good people to succeed by doing something that matters. So, your family's journey to purpose should include these steps:

1. Have you got a family, or do you all hate each other? I ask this question because sometimes repairing fractures takes work.
2. Have you discovered your purpose? If not, write down your journey, think about each decision, think about how you behaved in crisis and opportunity. It is these watershed events that define character and values; try to distill your guiding principles.
3. If you think your purpose is worth sustaining, write a book and tell your story. Without context and the lessons of your life, others will have no map to follow.
4. Work out if you have the resources to be purposeful. How much is needed to give every member of your family independence?
5. If you are going to remain together as a family, what are the return aspirations, and how will you manage your pension funds so that you never run out of cash?
6. Ask all family members what their values are, what they have enjoyed, and not, on their own journeys. Try to distill what everyone is passionate about to get everyone to arrive at a common organisational purpose for your family.
7. Once done, write it down, turn it into a Family Charter. This is a document that records your purpose, values, mission, and perhaps also behavioural boundaries, among other things. It also covers how the organisational structure is operated and governed and perhaps also defines distributions from the pot.
8. Then the SIPO. This is about managing the pension fund. Understand what you will and won't invest in. These assets need to be managed according to your values. This process turns into another core governance document, a Statement of Investment Performance Objectives - the SIPO.
9. The final step is to create a business plan to deliver your purpose. Work out what the outputs look like and how to measure them. This stuff is important to govern the family unit once it starts to execute.

Don't for a moment think you can do all this in a weekend, or without external help or facilitation – you are dealing with human beings who are diverse and complex.

Is it worth it? Yes. It will ensure the pre-eminence of your family and the deliverance of your purpose through time. This process is what distinguishes survivors from the extinct. Family Darwinism! ■

Wealth is important, economically

Bruce Sheppard, CEO of Gilligan Sheppard

I have written this booklet of articles because wealth, its accumulation, and how it is deployed is important. New Zealand as a nation doesn't respect wealth, nor does it celebrate the successes of wealth's effective deployment.

Wealth concentration is seen as a bad thing and New Zealand has one of the highest rates of wealth disparity in the world, yet in global terms our extremely wealthy remain puny.

Families with wealth spanning more than four generations, say 120 years, are almost non-existent, and mostly those families run pension funds which often don't perform that well, just to feed squawking chicks.

In short, our wealth pool is both shallow and immature, and thus we are dependent on government or foreign investment to tackle major projects. Governments elected in three-year cycles struggle to think long-term and spend at least a third of their time thinking about how to get re-elected. Foreign investment has the issues concerning sovereignty. Such investors ultimately ensure that the returns from investment are taken home with them, and thus reinvestment in our economy is curtailed.

In most developed economies there is a pool of wealth controlled by wealthy families with maturity and scale to counterbalance foreign investment activity. It does however, mean that wealth concentration continues, which isn't necessarily a problem, if the wealthy families are purposefully innovating and building capacity both within their families and in the community.

Absent concentrated and mature family wealth, economies progressively become government controlled or hollowed out by foreign investment. Eventually the intelligent children leave and follow the innovative and dynamic money of the more mature economies.

This has been New Zealand's story to date. New Zealand is now at a turning point. Our tech sector has birthed several substantial new wealthy and our economy is beginning to show signs of dynamism. But it won't last, unless wealth is retained, succession of it is planned and the attitude to wealth matures. This maturing should start with the wealthy and spread through their deeds and successes to the whole of the population.

Themes in my articles thus far:

1. Wealth is defined more widely than just money. But don't underestimate the importance of resources in getting innovation and change funded.
2. The emotional evolution of new wealth and how many fail to retain it let alone grow it.
3. Common mistakes in families trying to prepare for a change in the leadership of the family unit.
4. Understanding how much is enough and talked about managing and setting family expectations of wealth.
5. The journey to purpose.

A core to much of this is telling a family's story and sharing it with those that need to hear it. Certainly, with first generation wealth (G1), creating in the second generation (G2) a sense of pride in what their parents have achieved is a challenge, and often requires facilitated family dialogue over a long time. Telling the story is fundamental to this.

Setting expectations and getting full family buy-in to some greater endeavour is the best way to keep family wealth together. This is a sensitive, emotion-charged negotiation in most cases and almost always so in G1 to G2 transitions. Getting help understanding the aspirations of all, and the emotional barrier to cohesion is important as the participants can rarely do this unaided. Continual partitioning as generations die and move on is the path to ultimate penury.

Working out how much is enough is an economic and actuarial exercise, and most won't be able to do that unassisted.

As tends to happen when a massive wealth transference is about to occur, and as the Baby Boomers prepare to transition to their children, the sharks circle.

The immediate challenges are:

- Assist with family wealth succession.
- Help families find purpose and a sense of worth, beyond money.
- Connect like-minded families with each other to build international scale in private wealth deployment, not to mention a community to support knowledge and skills.

What have we been doing beyond writing this stuff?

For some time, Gilligan Sheppard has been working to identify independent, free willed, like-minded, wealthy in their own right, advisors to help with this.

Why are these characteristics in the 'hired help' important? Firstly, they will give you their honest opinion because they don't need to have your money continually flowing to them. In short, they are fellow fish swimming with you, rather than sharks.

In this quest for such persons, what have I found? Such people are more commonly in charge of their own enterprises and can make decisions without undue corporate nonsense, and they are generally smaller organisations (sub-50 head-count).

This advisory team of people that trust each other, have these:

- Story telling.
- Family facilitators.
- Actuaries and investment advisors.
- Cost effective core capital management.
- Exotic product origination.
- Family governance.
- Family and trust administration.
- Networking and aggregation facilitation.

Envisage an old western movie…

The pioneering families are heading into the unknown to find new wealth and opportunity. They are safer traveling together. Their wagons group and they proceed into the unknown. There are scouts in the front. There is protection at the back. They are all together in a wagon train.

When threatened or at rest, the wagons are circled to protect the whole and each other, from the predators that seek to destroy them.

They travel, eat, and explore and dream together. ■

More creative
More collaborative
Less corporate

There's a significant difference between Gilligan Sheppard and traditional accountancy practices. If that seems like an extravagant statement to you, good. We planned it that way.

Conventional accounting practices struggle to solve the complex problems faced by the kind of people we work with - the curious, unorthodox, out-of-the-box thinkers always open to alternative solutions.

Traditional accountants may not mesh with people like you. We see beyond the numbers and data. We get people and ideas.

You need a partner whose creative drive matches yours.

At Gilligan Sheppard, we're proud to be different. We don't want to be like anyone else. We don't want to look like anyone else. And we certainly don't act like anyone else.

We go beyond relentless form-filling and compliance, finding creative ways to solve your problems and help grow your business. We encourage a spirit of collaboration and innovation to produce workable solutions.

We want to know your story, understand your business vision and how we can help you achieve it. We will not be a passive accounting partner; instead, we'll challenge you, fight for you and alongside you, and do whatever it takes to achieve better than expected outcomes.

No one understands your business better than you, and for you, it's not just about making money. It's about expressing yourself, building great things and being proud of your innovations and successes. We love that. We believe in exploring different ways of doing things, and love working with people who aren't afraid to challenge the status quo.

People like you

More creative. More collaborative. Less corporate. If that's what you're looking for, then we'd like to work with you, too. ■

Start-up capital raising

Each year we see dozens of start-ups looking at raising capital. Some are obviously good ideas, some are obviously bad. Some are totally awesome.

We help maybe 10% of the start-ups we see raise capital and try and do this for as many of the awesome ones as we can.

If we don't raise capital for a particular start-up, we give a lot of feedback on why we're not a good fit, of course, and maybe leave them with other things to consider.

We're investors, founders, and business owners, and we understand that even if you have the best solution to the most obvious problem, the best IP and the best team, you might not make it.

When we partner with you to raise capital, if we're the right people to guide you through the journey, if we aren't, we probably know a good fit for you and will put you in touch with them.

Property development syndicates

We've been doing this for 30 years, but it's a changing space. We've moved between major projects and micro developments, commercial and residential, and sometimes stayed out of the market entirely.

Yes, we are active in the Auckland market. Where we can get reasonably priced land and a good developer, we're happy to fund deals. Our sweet spot is usually $3–10m of funding required from us, and we rank behind the mortgage and mez lending. We will also look outside of Auckland if we feel we know the market well enough.

We think of syndicates as (metaphorical) partnerships, so we won't fund anything where the risk and return to developers isn't balanced with what investors are getting. This can go either way – we won't raise capital if we think the investors are getting the lion's share. Developers take risk too.

We have our benchmark margins and returns, and if you're interested you should call us to have a chat about these.

Business and share valuations

Do you need to get a deal done, but you're not sure what the value of the business is? Negotiations are hard enough as they are, let alone when you go in blind.

Occasionally you really don't need a valuation, you just need some advice on approach. But sometimes a valuation is essential.

Think about a messy divorce or a shareholder split. Emotions get in the way of being able to strike a deal, and you need someone to just tell you the answer.

Our team are experts at business valuations and share valuations. We see all sorts of unusual situations, and we're not afraid to defend our valuations in court (if you get need to go that far).

Succession

There are a lot of tricky questions around succession, especially when the business is dear to you. The crux of the decision is making sure it gets into the right hands and gets looked after properly.

This is part of your story and your life. Why not give it a legacy, and let it be part of others' story too? Your story could live on much longer than you do.

The beauty of having a business rather than a job is that the rewards and return don't need to stop when you want to stop. You can enjoy the fruits of your labour well into retirement with passive ownership if you plan well.

Sometimes, the people that will be part of the ongoing story will need upskilling in many areas. It is best to start this properly while you still have the will and energy to be involved.

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