



Standards for Managing Significant Wealth

By TOM DAVIDOW

In a previous article, *Surviving Madoff*, (Campden FB, Winter 2009), about the devastating consequences to families who were victims of Madoff's ponzi scheme and, more generally, of the world economic crisis, I outlined Elizabeth Kubler-Ross's five stages of grief—denial, anger, bargaining, depression, acceptance—as a way for high net worth families and business-owning families to understand the psychological effects of money loss.

Since then, it has been my experience that the fami-

lies who are seriously struggling with economic loss are now in the second stage: anger.

The most painful aspect of that anger lies in the families' loss of trust, not only in the world economic system, but also in their professional advisors, to whom families now realise they gave away too much of their control. Although there were and still are many trustworthy advisors, too many of them were not paying sufficient attention to the financial environment.

The advisors, numbed by their high fees and increasing

wealth, succumbed to greed and allowed their clients, to whom they were responsible, to get fleeced.

As an example of why families have lost trust in the world economic system, Mayor Rudolph Giuliani pointed out at a recent conference in Boston for North American Family Offices, organised by Campden Conferences, that although the Securities Exchange Commission checked Madoff's documents of trade, the SEC failed to verify that the trades were actually made even though it was standard operating procedure to do so. (Click here to read Campden FO's exclusive interview with Rudy Giuliani)

Anecdotally, there seems to be a difference between post-liquidity families and business-owning families in terms of how they deal with their anger. Post-liquidity families seem to experience more disagreement among family members than those who currently operate family-owned businesses. Why?

For one thing, members of family-owned businesses who now are rallying around their struggling companies have maintained a connection to those businesses and to each other. As though they have gathered in an emergency room in support of a seriously ill family member, they understand the need to forgive old grievances and move on.

Secondly, members of family-operated businesses are channelling their anger in a positive way. They are harnessing the energy attached to the anger that comes from loss of control and are pouring it into their businesses. By making sure that their businesses are safe and economically sound, they are regaining a sense of control over their lives.

Presently, post-liquidity families lack such a channel. As a result, their anger manifests itself all over the place, including hostilities against one another. As Paul Sullivan, in his New York Times article of 2 October 2009, notes: "In the past, family businesses and family wealth were commingled. If the business was struggling, the patriarch would often finance shortfalls. 'Now the kids are upset about where the money is going,' said Holly Isdale, managing director at Bessemer [Trust.] 'Intra-family dynamics are playing a bigger part in decisions.'"

However, hopeful signs are on the horizon for post-liquidity families. At the recent Campden Conference, expanding on the theme of verification, Charles Lowenhaupt and Don Trone informed participants about the Institute for Wealth Management Standards:

The Institute for Wealth Management Standards is dedicated to advancing a global standard for the management of significant wealth. An independent, non-profit organisation founded by industry leaders, the Institute's singular mission is to develop and promote measurable, objective standards to foster responsible wealth management and to protect private wealth holders worldwide. The Standards are designed to be adopted and implemented by family offices, trusted advisors and others who manage significant wealth.

The effort to impose these standards is a dramatic example of how to take back control. The Standards have the potential to create greater discipline, protection and transparency in private wealth management in countries around the world. They also offer a means for families to regain control, transform their conflicts into constructive behaviour, move more quickly through the stages of grief and facilitate their healing process.

Therefore, I highly recommend that families explore the IWMS. The more they become involved in the Institute, the more family offices and the industry of wealth management will adopt these principles. To view and comment upon the standards and principles, please go to www.wealthstandards.org.

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