

DEVELOPING A FAMILY'S VALUES, VISION & MISSION STATEMENT: "THE CORNERSTONE STATEMENT"

Northern Trust has a long history of working with multi-generational families whose wealth is generated through a family business or from the proceeds of the sale of a business. It is not unusual for these families to share assets and utilize various structures such as trusts, limited liability companies, partnerships, etc. for the transfer of assets through multiple generations. In fact, an increasing number of wealthy families are arranging their estate plans to have assets remain in such entities for as long as possible, and by some states' law, that means in perpetuity. As a result, the wealth rarely passes to the next generation outright. In these families, future generations are "joined at the hip" with respect to where the wealth is located, managed, how funds are distributed, who will succeed to management or trustee positions, and so on. As families increase in size and diversity, priorities and perspectives change, friction can develop and it becomes increasingly difficult for families to make decisions about the wealth. Subsequently, many families see relationships fractured and wealth dissipated.

Families who successfully navigate the complexity of wealth through multiple generations tend to do things differently. These families recognize the need to establish a framework for decision-making that includes creating foundational documents featuring their values, vision and mission for the wealth over many generations.

This foundational document (which we call our "Cornerstone Statement" but can also be referred to as a "mission statement" or "purpose statement") can foster a greater sense of clarity around what the family

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If you aim at nothing, you will hit it every time."

– ZIG ZIGLAR

**DEVELOPING A FAMILY'S VALUES, VISION & MISSION STATEMENT:
"THE CORNERSTONE STATEMENT"**

stands for, the common purpose for the family, what values the family shares, how the family members treat and communicate with one another and how the shared wealth will be utilized over many generations. By co-creating the Cornerstone Statement, family members collectively determine shared goals and matters of importance, clearly define the family's course and direction, create the plan to reach the destination, and develop agility for what Stephen R. Covey describes as "course corrections" if the family starts to drift off target.¹

There is no one "right" way to write a Cornerstone Statement. Some families select one clear, concise sentence to sum up their mission; for example, Stephen Covey's brother and his immediate family employ the simple mission statement, "No empty chairs." This brief statement evokes many values and tactics needed to have the best chance of ensuring that every family member is at the "family table."

Other families prefer a more comprehensive statement to describe shared core principles (values), who they are as a family and what they want that family to look like decades from now (vision), and how they will realize that vision over multiple generations (mission).

The form or length of the Cornerstone Statement is not what is important. What is important is that the family works together and each adult participates in the process to create the statement. Ensuring that each person has a voice in the creation of the document is critical to the buy-in needed for family members to agree to adhere to its terms. The Cornerstone Statement should articulate and affirm the guiding values and vision of the family and be understood and embraced by each family member.

So, how does a family do this?

START BY ANSWERING THE BIG QUESTIONS AND IDENTIFYING YOUR VALUES

Before a family can create its Cornerstone Statement, the family needs to address some critical questions:

- Do we want to work together to manage our shared asset(s) in the future?
- What matters to us most as a family?

¹ Stephen R. Covey, "How to Develop a Family Mission Statement," from The 7 Habits Family Leadership Series, October 1, 2001.

**DEVELOPING A FAMILY'S VALUES, VISION & MISSION STATEMENT:
"THE CORNERSTONE STATEMENT"**

- Do we have a common purpose that will keep us together as a family?
- What does wealth mean—or not mean—in our family?
- What is the purpose of the wealth?

Having a dialogue about these questions is important because if the family is unwilling to answer the first question affirmatively—do we want to work together—it may mean that some of the family members need to “part ways” in terms of managing shared assets, allowing for individuals to exit from the shared wealth entities and making way for separate management. If the wealth is held in entities that will not allow for such an exit, then it will be even more important to educate the family about the structures holding the assets, the reasons for their creation, how they work, how long they will last, who will make decisions and how their successors are identified, and what the family can expect in terms of distributions and the flow of funds. Ongoing communication will be critical in such instances if the family is to have a chance at remaining positively connected.

Even if the members want to work together, in order to create a framework for collaboration, the family will still need to articulate what matters most to the family, what wealth means (and doesn't mean) in the family, for how many generations the shared wealth should last and what the family collectively believes is the purpose of the shared wealth.

Although most people think about values, vision and mission statements in the context of the corporate world, families of substantial wealth are finding more and more that when it comes to managing wealth together, the family needs to take on some of the characteristics of an “organization” to sustain and grow the family “enterprise.” Shared management requires specialized skills and teamwork, and like most corporate organizations, the effectiveness of the organization depends on how well the family can work together to define and achieve its shared goals. Determining the values of an “organization” is usually the first step to defining its shared goals and such is the case in a family that is managing wealth together.

Values determine your core: who you are, what is important to you, what you stand for and how you behave. When your actions are aligned with your values, you generally feel good about those actions. On the other hand, if your behavior is not reflective of your values, you will likely experience dissonance, uneasiness and be uncomfortable with what you are doing. Reflecting on your own values is the first step in the process of



Your beliefs become your thoughts. Your thoughts become your words. Your words become your actions. Your actions become your habits. Your habits become your values. Your values become your destiny.”

MAHATMA GHANDI

**DEVELOPING A FAMILY'S VALUES, VISION & MISSION STATEMENT:
"THE CORNERSTONE STATEMENT"**

finding the consensus values of the family. This step allows each family member to think deeply about what he or she individually cares about and then assemble with the rest of the family to see what values overlap.

Some families have each member use a survey to select their top 5 values from a larger list and then identify which values are shared in common. Another way to uncover family values is to have each member answer a few questions designed to elicit responses that focus on passions, feelings and goals where values are revealed. Such questions could include:

- You pick up the Sunday paper and read the front section. What articles make you angry or upset and why? What articles make you happy and why?
- Write the headline for a newspaper regarding your/the family's achievements ten years from now. What does the headline say fifty years from now?
- What principles have guided how you live your life, raise your family and/or run your business?
- What principles do you want your family to stand for and pass on to the generations to come?
- Describe a time when you were/are the happiest or most content. What were you doing and with whom did you share this experience? What values do you recognize as most important to you from this experience?

After each family member identifies his or her individual values, the family can then spend time listening to each family member discuss his or her most important values. The next step is for the entire family to agree upon the collective values that will be utilized to guide the family's decision-making around the shared assets over time.

For example, where a family agrees that generosity is an important shared value, it would not be unusual to see some of the shared wealth dedicated to philanthropic endeavors. Where a family agrees that knowledge and self-sufficiency are important values, the family may decide that every family member should be able to attend private school and/or attain a college or post-graduate degree, with the intention that such education will allow each family member to pursue a career that provides them with some level of economic independence.

**DEVELOPING A FAMILY'S VALUES, VISION & MISSION STATEMENT:
"THE CORNERSTONE STATEMENT"**

Because of generational, geographic and lifestyle differences, it can also be a useful exercise for the family to not only identify the values but to also define what these values in action look like in the family.

"Generosity" as a value can mean different things to different people. A family member who is from the Baby Boomer generation may believe that generosity means giving to the arts, universities or medical research, whereas a member of the Gen-X or Millennial cohort may see "generosity" as being generous in volunteering time or making gifts to friends and others in need. Similarly, "work ethic" might mean "working hard, self-sacrifice, spending the time necessary to produce a financial benefit" to one generation, whereas another generation (feeling that their parents worked hard at the expense of quality family time) may see that work ethic means "living up to and pursuing full potential, expending effort toward goals." This second definition allows for not merely working hard but recognizes that expending effort or working only for financial gain should not be the sole barometer for measuring a good work ethic.

Families may share the same values, but how that value is expressed within the family may differ so it is important to recognize and understand those variances and head off any friction from how the value is interpreted as the family forms its vision and mission.

DETERMINE WHERE THE FAMILY IS GOING – WHAT IS ITS VISION?

What is our family's vision—what does our family's ideal future look like? A vision statement is a word picture of what you want the family to become. What will your family "look" like at some point in the future? If you could look back from a vantage point (ten, fifty, one hundred years from now) how would you like your family to be remembered?

If your family has a vision, it will be much easier to filter out the "noise" and distractions that make decision-making more difficult. Adopting the vision allows your family to plot a better course to that destination.

When you take a driving vacation, you generally map out a course to your destination. Few people just jump into a car and take off with no plan of where to go and how to get there. Destinations are determined and purposeful routes are mapped. It may be that there are opportunities to detour for a while (assuming you have the time) but generally, most families will carefully follow the map and only deviate when something unexpected happens. The unexpected does happen – cars break down, traffic grinds to a halt, weather interferes – but the plan remains to get back on course and reach the desired destination.



If you don't know where you are going, any road will get you there."

LEWIS CARROLL

**DEVELOPING A FAMILY'S VALUES, VISION & MISSION STATEMENT:
"THE CORNERSTONE STATEMENT"**

Families of significant shared wealth who want to see the wealth flourish over multiple generations create the vision for the family wealth and then use that vision to make decisions on how the wealth will be used over time. As life unfolds and unexpected events happen—whether from external or internal forces—the vision will allow for the family to regroup and get back on course.

So how do you create that “word picture?”

Vision is often stated as a very “clear picture of the future you want to create.” It also needs to be a compelling vision. To be compelling a vision needs to be: Positive—something *others* see as desired. Personal—something that will benefit others personally or directly (not just abstractly or “it seems like a good idea”). Possible—a destination people can see themselves reaching. Visual—something people can see. Vivid—crystal clear; the clearer the picture of the future, the better.²

It is not by accident that we started with identifying the family's shared values. By starting with the agreed values, it is easier to paint the picture for the family's shared vision. The values agreed upon are generally reflective of the compilation of each family member's ideal individual futures so it should not be too difficult to use those consensus values to determine what your family should look like in the future. For example, one family articulated its family vision:

“We envision a family that is deeply connected to one another, unified as a family while respecting our differences and while charting our own household and individual paths. We envision an educated family—prepared for leadership roles within the family, knowledgeable about managing our shared and individual assets—and a family that uses our individual talents and skills to secure our own as well as our family's financial future. We envision a grateful and generous family—thankful for all the material benefits with which we have been blessed and recognizing that those who have been given much have a responsibility to give of our time, talent and treasure to make our community and even the world, a better place.”

This vision statement is replete with the family's shared values:

- Connection / Family
- Respect
- Education / Knowledge
- Independence / Self-sufficiency
- Gratitude
- Generosity
- Stewardship
- Unity
- Security
- Responsibility

Because this family's vision statement is connected to the family's shared values, it is more likely that this family will want to work together to attain its vision over time.

² *Creating and Communicating a Compelling Vision for Change*, Kevin Eikenberry, January 3, 2011, <http://blog.kevineikenberry.com/leadership-supervisory-skills/creating-and-communicating-a-compelling-vision-for-change/>

**DEVELOPING A FAMILY'S VALUES, VISION & MISSION STATEMENT:
"THE CORNERSTONE STATEMENT"**

**DETERMINE THE FAMILY'S TACTICS TO REALIZE THE VISION –
THE MISSION STATEMENT**

Now that the family has identified its shared values and agreed on the vision for the family over time, how will the family realize its vision? That is where the mission statement comes in. The mission statement articulates what actions the family will take to make this vision a reality. It is designed to be timeless and is able to remain stable through multiple generations.

If knowledge is a shared value and having an educated family is part of the vision, what will the family do in order to reflect that value and prepare each generation to reach that goal? Will the shared wealth be used to provide a certain level of education, or provide travel experiences to enhance cultural learning or create an education program for the family to learn the skills needed to make good financial and investment decisions?

If generosity is a shared value and being a generous and compassionate family is part of the vision, how will the family use its shared wealth to become that generous family over the generations? Will the family be intentional in modeling philanthropic behaviors in each household and practice joint philanthropy? Will the family create a foundation or donor advised fund and make grant-making decisions together? Will the family volunteer together? Will the family support mission trips or a family member who wants to work in the Peace Corp? Will the family support family members who want to pursue a career in the non-profit sector?

EXAMPLE:

"Our family's wealth will be utilized to educate each family member to reach his or her utmost potential, to enhance each generational member's ability to become productive, self-sufficient individuals pursuing satisfying careers and developing a love of life-long learning. Toward that end, we will use our wealth to fund education (including reasonable room and board and including but not limited to private schools, university and trade schools), educational experiences such as summer camps, internships, overseas travel to learn about other cultures, and to provide for specialized training for new skills to increase a family member's abilities to succeed. Further, our family's mission is to instill a desire for and active participation in making our community and the world a better place through individual philanthropy and shared giving by volunteering and sharing of our financial resources."



Vision sees the end from the beginning. Mission is the map to take you there. Vision fires the arrow with velocity. Mission guides it to the center of the target. If people wither and die without a vision, they will certainly flounder and sink without a mission"

Family Philanthropy Guidebook: Finding Your Charitable Values and Living Your Vision, Dan Rice and David Hodel, World Vision 2001

DEVELOPING A FAMILY'S VALUES, VISION & MISSION STATEMENT: "THE CORNERSTONE STATEMENT"

As you can see from the example above, there is a logical progression to the process of creating the Cornerstone Statement: start with values, create the vision and then articulate the tactics (mission) on the utilization of shared wealth to realize the family's vision now and into the future.

SOMEONE NEEDS TO FIND THE COMMON POINTS AND DRAFT THE CORNERSTONE STATEMENT

This may take several rounds of drafting—after all, it is not easy to capture and succinctly craft a mission reflecting the group's values and vision. But it is the process, rather than the result, that is important. By giving everyone input into the draft, you are more likely to obtain support and consensus. Every member needs to feel free to have a voice during the drafting stage. In fact, this process can become a powerful catalyst for family discussions which can lead to greater family harmony.

REVIEW THE CORNERSTONE STATEMENT PERIODICALLY

Just as there are life cycles for businesses, there are life cycles for families: the patriarch or matriarch dies, the next generation comes of age, the family business is sold—all of these events can have an impact on the family's Cornerstone Statement. If the family is to meet future challenges and changes, it is important to periodically revisit the Cornerstone Statement to ensure its relevancy. Using a family retreat is an ideal time to review the history of the family and its future. In doing so, it is appropriate to determine if there are changes that should be considered for the Cornerstone Statement. It is important that the Cornerstone Statement discussion take place even if the final outcome is that it remains the same. In fact, best practices dictate that all family members be made aware of the Cornerstone Statement, understand its genesis and ultimately be ready to review and discuss so that it will be utilized appropriately and the family will more likely align its decisions in accordance with its terms.

CONCLUSION

The one thing in life that is constant is change, and the same holds true for families. However, recognizing that change is the natural order of things does not mean that families are at the mercy of change and that its impact will inevitably influence the family system in a negative way and jeopardize the wealth of the family. With focused planning and respectful collaboration in developing the family's collective values, vision and

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"THE CORNERSTONE STATEMENT"**

missions families can successfully position themselves and future generations for a long-lasting and thriving legacy.

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