Legacy & Family

Your Spouse: Family CEO-in-Waiting

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Do you have a sound plan for managing your family's financial situation if the spouse who is not in charge of those issues must suddenly assume that role?

If you are like most couples, one spouse tends to take the lead in managing the family's financial life. That spouse handles most of the discussions with financial advisors, investment managers, attorneys, and accountants. The question is, if the other spouse had to suddenly assume total responsibility for dealing with all of the family's financial issues – with no assistance at all from the spouse who is currently in charge (not even being able to have a conversation) – how well prepared is he or she for that role?

The families we serve have more assets and more complicated financial situations than most small businesses. Just as every business needs a succession plan if it is to survive the death or incapacity of its founder, so every wealthy family should plan for the successor management of the family's financial situation. Failure to attend to this problem can lead to serious consequences for the surviving spouse and other family members.

To understand the potential consequences of failing to prepare the surviving spouse for his or her role as the family's Chief Executive Officer, consider the environment that the surviving spouse will be facing if he or she is not adequately prepared:

- **Extremely high stress level** – In the aftermath of a personal crisis resulting from the death or incapacity of one spouse, the surviving spouse will be under extreme stress due to both the grieving process and uncertainty about the future.

- **Succession planning in crisis mode** – Within a few days, someone will have to take over the management of the family's financial affairs. If a succession plan has not been worked out in advance, how will that decision be made? If the spouse who was in charge of the family's financial decisions failed to address this issue during his or her lifetime, how well prepared are the surviving family members to deal with this problem in a crisis environment?

- **Risks of not knowing the family's advisors** – It is very risky for both the surviving spouse and the family's advisors to rely too much on just one spouse. The surviving spouse will face real challenges if his or her first significant interactions with the family's advisors occur after the death or incapacity of the spouse who has dominated the financial decision-making process.

- **Financial decision-making under stress and time pressure** – Major financial decisions must be made in the aftermath of the death or incapacity of a spouse. In the case of death, the tax system imposes a tight timetable. A spouse who is already familiar with the plan to deal with the situation, understands the concepts, and knows the advisors is likely to make better decisions (and to feel less stress) than someone who is uninformed.

- **Intervention of informal advisors** – Family members and friends may offer advice that is at odds with the advice of advisors who are familiar with the careful planning that has been done. In extreme cases, family members (or their spouses) may attempt to exert inappropriate influence. A surviving spouse who is well prepared is less likely to be distracted by these influences.

- **Vulnerability** – In summary, a surviving spouse who is inadequately prepared to take over the role of Chief Executive Officer for the family is more likely to make costly mistakes and to experience a higher stress level than a spouse who is well prepared.

We recommend the following actions as "best practices" to address the need for succession planning for managing the family's financial situation:

- Both spouses should attend all major meetings with the family's various advisors. This simple step will help to ensure that:

  - Both spouses are familiar with the family's advisors;
  - Both spouses have an opportunity to develop personal relationships with the family's advisors;
  - Both spouses acquire at least some familiarity with financial concepts; and
  - Both spouses are able to be involved in major decisions and have an opportunity to understand how those decisions will affect the family.

- Both spouses should learn about important financial planning areas such as investment strategy, cash flow planning, risk management, and estate planning. In our experience individual training sessions are very helpful to familiarize family members with these concepts. We find that this training is best done without the presence of the spouse who is currently taking the lead on financial issues.

- Both spouses should become thoroughly familiar with the family's financial reports, including investment reports and personal financial statements. These reports must be very comprehensive and detailed in order to provide all of the information that is required to manage the family's financial situation.

- Adult children should have an opportunity to get to know the family's advisors and to be informed about the financial planning that has been done.

So, do you have a sound plan for managing your family's financial situation if the spouse who is not in charge of those issues must suddenly assume that role? The time to address this need is now.

About Roy Ballentine, ChFC, CFP®, Founder, Chief Compliance Officer

Roy is the Founder and Chief Compliance Officer of the firm. He dedicates his time to thought leadership and coaching and training our team members.

Roy graduated from Yale University with a B.A. and an M.S. He is a Chartered Financial Consultant (ChFC) and a CERTIFIED FINANCIAL PLANNER™ practitioner. He has practiced as a fee-only financial advisor since 1984.

Roy has served for many years on the Board of Trustees of Brewster Academy, a private secondary school located in the heart of Wolfeboro, NH. He is currently serving as the Chairman of the Board and a member of the Investment Committee and Governance Committee. He is also a member of the Board of Managers of BA International, LLC which managers Brewster Academy's global education enterprise. Roy serves as a Trustee of the Wolfeboro Area Children's Center in Wolfeboro, NH, is a member of the Board of Directors of Big Brothers Big Sisters of New Hampshire, and Families in Transition of New Hampshire. He also serves as Chair of the Investment Committee of the Wolfeboro Area Recreation Association and a member of the Investment Committee of the Wright Museum of World War II.

Roy is an enthusiastic sailor, skier, and mountaineer. He has participated in several first ski descents of mountains above the Arctic Circle and has hiked, skied, and climbed extensively in the western US and Canada. He and his wife Sandy have two children and live in Wolfeboro, NH.