

## State of The Institute

May 16, 2023

Twenty years is both a long time, and the blink of an eye. As I think back over the past 20 years of The Heritage Institute, some things seem like they happened a long, long time ago, while others seem like they happened just yesterday.

As many of you know, I actually started my journey that led to The Heritage Institute® over 30 years ago due to watching what was considered to be an amazing estate plan become a disaster for the family. We passed a multi-\$100,000,000 estate essentially tax free in the 1980s. But I then watched a good friend of mine (who was an heir) drink himself to death. I knew then that something had to change with how we defined “success” in the estate planning world and that an estate plan was not complete or a success until the inheritors were prepared to receive the inheritance and ready to protect, manage, and grow what they were receiving. So, I started researching what successful multi-generational families from around the world did differently.

That was a time of change in the planning world as we were recognizing that ‘wealth’ meant more than just money, and John Ward’s research (which became the basis for the “90% rule”) had just been published. I looked at Ward’s study, and it was fascinating. But it was very limited. It was the study of public records that identified 200 families in Illinois who owned manufacturing companies in 1924. He then reviewed the same records in 1984 and discovered that only 30% of those families owned those companies in 1984. I concluded that it was an instructive but limited study<sup>1</sup>, since it was only 200 families in a single state who owned one type of company, and it didn’t explain why the 30% succeeded in keeping the business in the family. Unfortunately, others globalized his findings and the infamous “70% failure at ever generation” rule appeared and has been quoted ever since.

In 1994, I was working with Perry Cochell (who was a law school classmate) and we discovered that he was doing the same research, so we joined forces. We identified 12 attributes that these successful families tended to share (The 12 Elements of Heritage Design), which can be summarized as: They created and maintained a culture of communication, trust and mentoring in the family that was all wrapped around their family’s purpose. Based on that research, we developed a process that any family could replicate, which is now known as The Heritage Process®. We began teaching the process in the late 1990’s.

Perry and I formed The Heritage Institute on July 30, 2003 along with Ryan. Brad Haga was also with us from the very beginning. Perry left in 2009 when he became head of BSA’s Office of Philanthropy and had to move to Dallas. In 2011, we had several financial services members who were having a difficult time integrating Heritage Design into their practice, so Ryan left to create an outcome-driven financial services firm and collaboration model with one of our Members. About the same time, Lori came on as our Chief Learning Officer, and helped us completely

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<sup>1</sup> The study looked at published reports of manufacturing companies in 1924 and 1984. It identified 200 families who owned manufacturing companies in 1924, and that 30% of the families still owned those businesses in 1984. If the family wasn’t on the list in 1984, the family was considered to have failed, even if that family sold the business and remained enormously successful.

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revamp our training. We went from an Academy model (in which you could take the various Academies over time and in any order) to our current Coaching Program. She was also instrumental in creating the Family Forum (which became the Family Alignment Milestone) and the shift from 'top-down' to 'flatter conversation' training. And, she has mentored all of our HDPs since 2014.

Our training was unique (and a pre-cursor to "Wealth 3.0") because we focused on what worked, rather than what was wrong. We also defined "success" based on the family's desired outcomes, rather than by whether they kept family business in the family. And we realized that no one advisor/professional or institution could do all the things that family needed. So, we included robust training on effective professional collaboration.

Our initial training focused solely on providing certification to professionals who would deliver The Heritage Process to families. But we soon discovered that many of the principles and skills we were teaching were applicable to almost all professionals in the various wealth planning disciplines (financial, estate, philanthropic, etc.). As a result, we now provide training for all Trusted Professionals, in addition to our Heritage Design Professional® Certification Coaching program. We have also created Genacy LLC, which is a group of HDPs™ who provide Heritage Design services to families in collaboration with trusted professionals who do not provide The Heritage Process as part of their service offering.

Our initial training and model were based on "top-down" planning that was prevalent at that time; meaning the parents did the planning and the bestowed it on the children/grandchildren with little or no input from the rising gens. We soon realized that The Heritage Process and the families who used it were much more successful if it started with a "flatter conversation" and the rising gens were involved from the very beginning. That led to the creation of the Family Alignment Milestone™ at which all members of the family have an equal voice and vote. Most families now begin the process with a Family Alignment Milestone.

Our training continues to morph and grow as we (including our HDPs) learn from our experiences and the families we serve, and as the Wealth Planning/Wealth Management world continues to move into Wealth 3.0.

I want to thank everyone who attended our 20<sup>th</sup> Anniversary Conference on May 3 - 4. It was a great combination of people who were attending their first event, to some who attended our very first training in Scottsdale in 2003, and one who had also attended training that Perry and I facilitated before we founded The Heritage Institute. It was also a time for reflection, and we honored several of our members and faculty who have passed on. We have been honored and blessed to have had them as part of our community.

And it was an opportunity to celebrate our community. Every year we survey our Members, and every year they tell us that the most valuable part of being part of The Heritage Institute is its community of like-minded, sharing, collaborative professionals. And we are all truly thankful for our Members and alumni, and all that they do to help each other, their clients/donors, and the world.