

# STEP JOURNAL

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## US AND CANADA

From evolving will formalities in Canada to cross-border concerns for US clients

## FAMILY BUSINESS

Cutting-edge advice on succession, governance and wealth stewardship

## SOCIETY UPDATES

STEP's latest policy work, events and thought leadership campaigns



# Storm watch

THE CHANGING FACE OF REPUTATION MANAGEMENT  
FOR HIGH-NET-WORTH INDIVIDUALS

30 YEARS OF  
STEP

# Responsible stewardship of wealth



GINA M PEREIRA AND PHILIP MARCOVICI EMPHASISE THE IMPORTANCE OF HELPING FAMILIES MEET NEAR-TERM NEEDS WHILE PREPARING FOR LONG-TERM SUCCESS

Crises reinforce the vital role of responsible stewardship as a compass for sound decision making. COVID-19 emphasised to many the potential of their imminent mortality, illustrated the interdependence of various elements of society, and highlighted extreme rising inequality and disparities in wealth.

As society becomes increasingly interconnected, the potential for future pandemics grows due to global travel, urbanisation, increased contact with wild species (due to our encroachment on nature), healthcare worker shortages, natural disasters and displacement caused by climate change. This pandemic, however, has served to highlight the many challenges wealth and business owners face; challenges that have been with us for some time and will inevitably be accompanied by new challenges in the years to come.

In the face of disruption and uncertainty, wealth-holding families may confront difficult decisions to meet near-term needs while preparing for long-term sustainability and success. Evolving concepts of wealth among younger generations may cause friction that can impede long-term family governance and succession planning. Ever-increasing transparency through technology and regulation may expose family 'scandals' to adverse publicity and criticism that can damage reputations. Transparency also impacts asset protection and tax minimisation strategies that may be necessary for a wealth-holding family seeking to preserve and enhance the family's business and other interests. How can advisors best help their families successfully navigate these and other factors in ways that are consistent with not only legal obligations, but also with what is right?

## THE GUIDE

A recent STEP publication entitled *Family Dialogues on the Responsible Stewardship of Wealth: A Guide* (the Guide) makes the case that applying stewardship principles based on well-defined family values will help build a strong foundation and shepherd decision making.<sup>1</sup> Responsible stewardship can align immediate and long-term needs while maintaining the agility to cope with changing environments.

The Guide seeks to inspire and lead the discussion on responsible stewardship and what it means for wealth holders, and demonstrate how it can be an essential tool in planning and everyday decision making. It considers how to cement relationships within families across the generations by identifying a common purpose, building succession plans that meet needs across generations, protecting family reputations and contributing to the public good.

## FAMILY DIALOGUES ON THE RESPONSIBLE STEWARDSHIP OF WEALTH: A GUIDE

STEP members have an exciting and rewarding future ahead of them, and the Guide is designed to help them initiate impactful dialogues with the families they serve. It is envisioned that it will be a living document, adapting to change and absorbing the input that the authors are certain STEP members will be providing with a view to helping each other to enhance the service provided to clients continuously. Download the report at [step.org/research-reports/responsible-stewardship-wealth](https://step.org/research-reports/responsible-stewardship-wealth)

The Guide takes a holistic approach in applying responsible stewardship principles when planning for the family's needs. It proposes that taking care of those who help the family is an essential component to long-term success. It explores the role of stewardship in the family business, investing and philanthropy. Families that are well-stewarded consider the impact of their decisions on all stakeholders. When done well, they can leverage these relationships, seeking collaboration to find solutions with mutual benefits. Jurisdictions also play a critical role in supporting families to be responsible stewards of wealth by adopting simplified tax policies with greater certainty.

Commitment to stewardship principles is the ultimate test and will anchor a family in how it operates, acting as a compass embedded in each thought process, decision and action, demonstrating authenticity and developing trust. Under responsible stewardship, short-term decisions align with longer-term goals and allow direct and indirect consequences to be considered. Acting today with tomorrow in mind can be a challenge during a crisis, particularly when fear and uncertainty are rampant. Still, change is the only certainty in an uncertain world, and families must be agile and adaptable while remaining loyal to their core values and beliefs.

It is the advisor's role to initiate the stewardship discussion with clients and guide them through an exploration of what is important to them, helping them bridge gaps and form bonds. Cultivating communication, understanding and achieving clarity will help advisors better help clients, supported by a foundation of tried-and-tested stewardship principles embedded into the planning process. The authors submit that the outcome will form more robust frameworks, structures and bonds that are agile, resilient and sustainable.

#CAREER AND PERSONAL DEVELOPMENT

#FAMILY BUSINESS

#THOUGHT LEADERSHIP

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