



## THE FAMILY WEALTH S.W.O.T

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My April column discussed the concept of applying business best practices to managing family wealth (“Our Family Wealth, Inc.”) as a mechanism to avoid the dreaded and common “shirtsleeves to shirtsleeves” (“STS”) syndrome resulting in the unplanned dissipation of family wealth. This month, we’ll explore the use of the S.W.O.T. (strength, weakness, opportunity, threat) business analysis tool to family wealth planning.

Family wealth, just like a company’s fortunes, can be greatly impacted by internal and external elements for which they may have little or no control. The analytical framework, known as a S.W.O.T. analysis was developed during the 1960’s to evaluate why corporate planning failed. But it can become the cornerstone of a strategic planning process for family wealth. S.W.O.T analysis gives wealthy families insight into and solutions for some of the STS factors that threaten sustainability of wealth. Further, the process of working together through the S.W.O.T. analysis and discussion creates a unique opportunity for important family dialogue, leading to enhanced bonding and cohesiveness. A trained family office professional can facilitate the S.W.O.T. meetings that will become the basis for future family wealth planning. Let’s explore what might be uncovered during this assessment.

The “S” or strengths of the family are an important discovery dialogue. What are the areas that bring strength to a family group? Frequently cited is the recognition of unconditional love of family, support from family in one’s difficult times, shared family values and culture which can be the ties that bind family members together through life’s challenges and through the generations.

The “W” or weaknesses are critical self- assessment areas. An open and honest dialogue regarding

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the weak elements in a family can create the areas where families can provide the ongoing support needed to strengthen the family. Frequently the weaknesses revolve around the lack of knowledge, understanding and experience of what family members need to know to manage their family wealth enterprise. For example, understanding that after each generation, family wealth can be halved by estate taxes enables a greater awareness that proper estate planning and wealth management is important. Understanding the impact of excessive spending and fees leading to premature depletion of financial wealth is critical. Learning that concentrated capital can build wealth why diversifying investments sustains wealth, resulting in deeper review of wealth asset allocations.

The “O” or opportunities can define the outcomes of a shared vision. Working and growing together as a family can enable a strong bond and safety net for all family members. Investing together as a family with a well planned investment strategy and allocation can lead to creating larger pools of family wealth, enabling a basis for financially supporting the growing family member base. Encouraging entrepreneurship can replenish a depleting family wealth pool.

The “T” or threats are critical to identify and discuss. These elements may be the key contributors to the “STS” syndrome. Certain threats are not controllable such as unanticipated market/business events, inflation, taxes, and health changes, to mention a few. Other threats can be identified as controllable such as taking concentrated investment risks, appropriately budgeting spending, not meeting regularly as a family to discuss key wealth matters, lack of discussing wealth transfer plans, among others. The mere identification of threats can enable focused family wealth planning discussions regarding how the family might address such threats.

The family S.W.O.T. analysis results in a family planning framework that can be revisited and reassessed as the family and circumstances change. Further, the family has performed a self-diagnosis of their wealth challenges and opportunities. A shared vision and work plan can be established with assignments for all family members with agreement to meet regularly to assess progress of the work plan and strategy around wealth sustainability.

The ultimate benefit of a continuing family wealth S.W.O.T. analysis is a combined team effort to confront the high odds of failure (internal and external) to sustain family wealth. We will continue to explore best practice strategies in future columns which the family office can enable wealth sustainability.

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