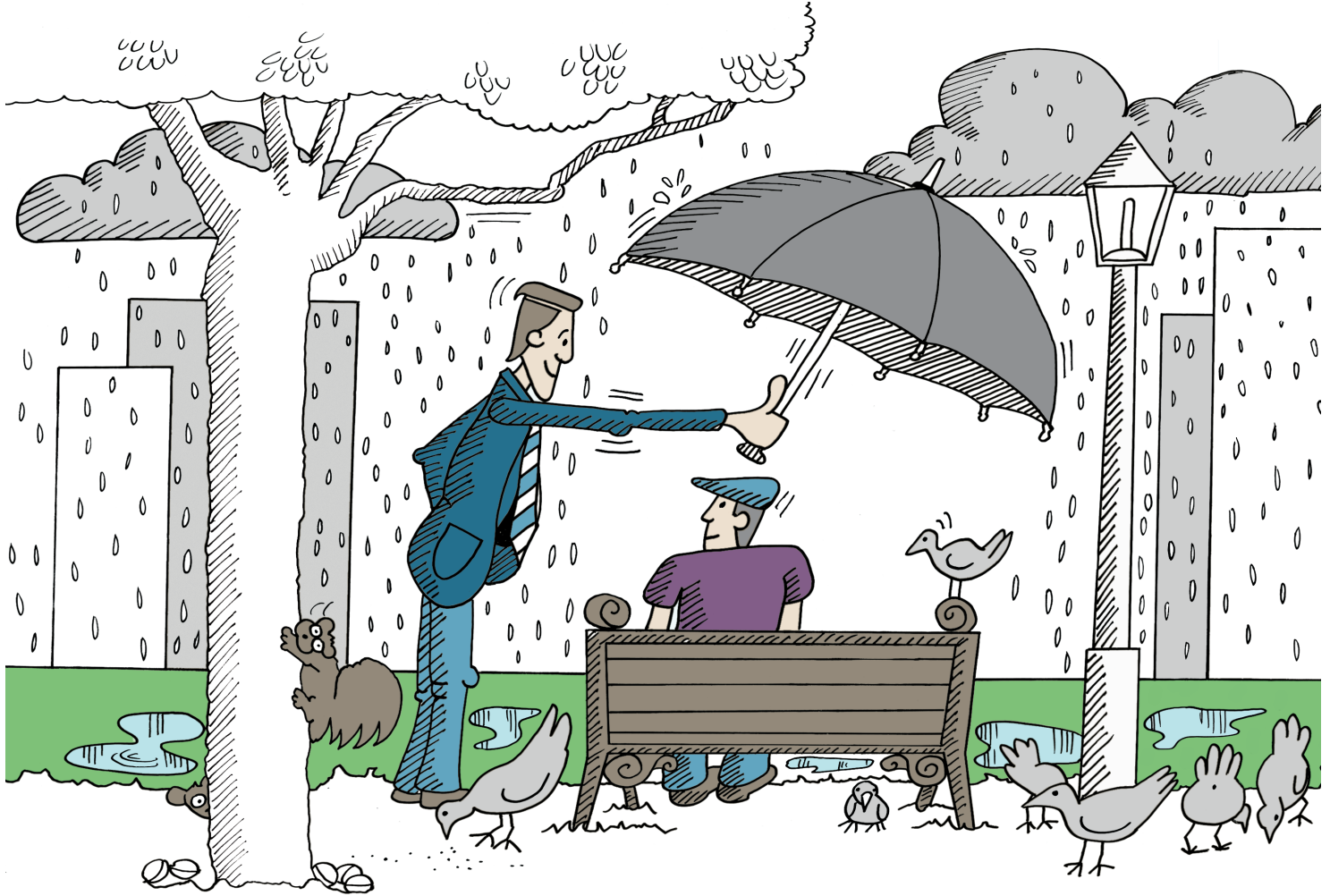


EMBRACING THE RESPONSIBILITIES OF FAMILY WEALTH



Society's relationship with wealth is complicated. For those who have it, wealth affords many things – you can buy popularity, elegant clothes, white teeth, a stylish forehead, time to relax, holidays, beauty, fitness, fine wine, art, gifts and much more besides. More important than all of these though, wealth brings influence and – almost inevitably – results in the uneven distribution of power within communities, or at least, the perception that this is the case.

When we talk about the relationship between being wealthy and having responsibilities, therefore, we are talking about the influence that wealth can bring and the responsibility of wielding that influence conscientiously.

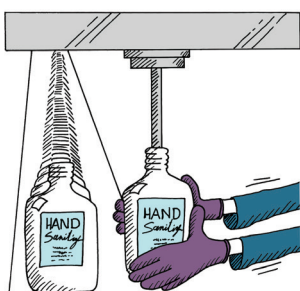
Following the continuing social and economic damage wreaked by the Covid-19 pandemic around the world, now is an important time for wealthy families. They have the opportunity to acknowledge and act on their responsibilities and demonstrate leadership. Not only will this help societies around the world but it will also be of great potential benefit to the families themselves.

Responsibility and reputation

In his 1889 essay, ‘The Gospel of Wealth’, American industrialist and philanthropist, Andrew Carnegie, described what he saw as the budding upper class of self-made rich shirking their responsibilities to society and wasting their fortunes.

“If any family be chiefly known for display, for extravagance in home, table or equipage, for enormous sums ostentatiously spent in any form upon itself – if these be its chief distinctions we have no difficulty in estimating its nature or culture”, he wrote.

For all his rather outspoken moralising, Carnegie had a point. Society is uncomfortable with the idea of people or organisations who enjoy the great advantages of wealth yet don’t give enough in return. Indeed, so fervent is this instinct to reproach the wealthy for acting in what appears to be self-interest, that the good that many families do is often overlooked.



After the outbreak of Covid-19, British household appliance manufacturer, Dyson, urgently began developing devices in response to the Government’s *Ventilator Challenge UK*. The aim was to boost the number

of ventilators made, assisting the National Health Service (NHS) to deliver lifesaving treatments.

Company founder, Sir James Dyson, who set up a charitable foundation in 2002 that makes significant investments to support the advancement of medical research, undertook to fund the ventilator project himself at a cost of many millions of pounds. This episode went largely underreported in comparison to his decision the previous year to move Dyson headquarters out of the UK to Singapore. “James Dyson’s £44m Singapore flat as ‘hypocrite’ Brexiteer prepares for HQ move”, decried the *Daily Mirror* newspaper, among his many critics.

Society expects people with wealth and influence – be they entrepreneurs, politicians, teachers, business heads, religious leaders or celebrities – not to abuse it and to act in good faith for the wider benefit of others – even if it doesn’t always credit them when they do. Their doing, or not doing so is linked indelibly to their reputation.

Reputational risk has increased significantly for wealthy families over the last decade or so. There are two main reasons for this. Firstly, political, regulatory and – increasingly – social pressure on the wealthy to conduct their financial affairs more transparently has meant growing scrutiny from all angles. This includes whether or not they behave responsibly with their wealth and influence.

The second reason is the growing role that social media plays in the way we live our lives. It has made it inevitable that the media and social network users are apt to seize on any action by a member of a prominent family that is irresponsible (or deemed irresponsible).

It is clear, therefore, that the expectation for wealthy families to act responsibly stretches far beyond being generous with money. Society expects those who have the advantages of wealth to act with integrity and consistency across all of the Four Pillars of Capital to the greater good. That is, not only their financial capital, but cultural, social and intellectual capital too.

Responsibility and Cultural Capital

A family’s culture can be defined by its collective perspective and the values that define the way its members behave. This includes how they live their lives, conduct business and treat others. The expression of these cultural values is a clear demonstration of a family’s attitude towards responsibility.

By engendering a culture of responsibility, families can help avoid the perception that their wealth puts a distance between them and the rest of society – that they may be ‘out of touch’. Being responsible in one’s behaviour towards others includes understanding the sensitivities around the different ways they live.

The impact of the Covid-19 pandemic has provided many outstanding examples of generosity and responsible behaviour among the world’s wealthy. In March, privately owned Chelsea Football Club offered the Millennium Hotel



at their Stamford Bridge ground as free accommodation to NHS staff. A similar initiative was taken by football pundit and ex-Manchester United defender, Gary Neville, who, together with former team mates, co-owns the Stock Exchange Hotel in Manchester city centre and Hotel Football at Old Trafford.

Around the same time, family-owned Italian pharmaceuticals giant, Menarini Group, converted part of its production plant in Florence to manufacture disinfectant gel to donate to hospitals and healthcare organisations. There are many similar examples around the world.

Unfortunately, the crisis has also revealed many instances where politicians, corporations and high net worth families have behaved in a manner inconsistent with the onus that comes with their positions. High profile cases include non-essential retail chains lobbying the government to keep shops open during lockdown, arguing they were an ‘essential service’. Elsewhere, businesses immediately sought to place staff on furlough or unpaid leave, or claim government grants, notwithstanding the wealth of the family owners.

Deciding together what the purpose of the family wealth is should flow through everything a family does and will naturally move it towards a collective sense of accountability. This shared understanding will go some way to minimising the risk that certain behaviours undermine a family’s credibility. When a family acts as one in a way that reflects their sense of responsibility, it lends authenticity to their actions. The process of drawing up a family constitution is one way a family can discuss, agree and articulate their values into a formal statement of their culture.

Responsibility and Social Capital

Social capital is the *practical application* of a family’s cultural capital – the way a family relates to and engages with the communities they live and operate in. When it comes to responsibility, the concept of purpose is again key.

For business owners, investing in their business, treating staff well, respecting the environment and supporting voluntary and charitable initiatives in the local, national and even international community are great ways of demonstrating that they take their responsibilities seriously and seek to make a meaningful impact. We have seen a number of exceptional initiatives by families through the Covid-19 pandemic.

The Duke of Westminster’s Grosvenor Estate donated £12.5m to support the NHS, medical research and development, and charities helping the nation’s long-term recovery from the coronavirus pandemic. He spoke about the wider impact of the crisis on NHS staff and keyworkers: “They have children and families whose health and wellbeing will also be highly impacted by this crisis. As they keep us safe, I want to help provide as much support to them and their families as we can.”

This is an interesting example of a family, which has an agreed set of values, living out that social capital in accordance with an agreed constitution. Many prefer to be discreet with their philanthropy. The decision here to talk publicly about specific charitable initiatives may be recognition that demonstrating responsibility to society, and recognising its relationship to their reputation, is increasingly important to wealthy families.

Examples like this are supported by many other families, who may no longer have an operating business, but have offered their time in less formal ways. These include volunteering for health services, delivering food or simply keeping company with isolated people.



Now is the time to embed these behaviours and weave them into a family’s social capital strategy. Not only will it make a positive contribution to local communities, but families also find these experiences positive and fulfilling. They learn a lot about themselves while confirming their purpose through social capital – a clear demonstration of responsibility.

Responsibility and Intellectual Capital

The greater the knowledge and experience a family can bring to bear, the greater it will understand how to use its influence for good. Being out of touch with the ‘real’ world is the biggest risk to a family building a sense of its commitment to the advancement of society. Education is one of the most important tools in addressing that.

Focusing on developing a family’s intellectual capital through a programme of education for its members is crucial to maintaining a clear perspective on the world. Traditional education is instructive in looking at how history and politics intertwine to explain changes in societies and those societies’ attitudes towards the wealthy.

It is often non-traditional education, however, that makes the difference in gaining a real understanding of the responsibilities that wealth brings. In the past, educating the children of wealthy families often focused on finance. Today, to be fit for purpose, next generation programmes need to be far broader, teaching younger people about their obligations, whether it be how to manage their social media profiles or use the family ‘brand’ to employ their influence wisely.

Covid-19 has taught us lessons here too. As well as highlighting deep divisions and economic disparities in society, the crisis has also brought people together. Families can use this opportunity to tune their perspective and build on the knowledge they have gained of others in different circumstances. Staying in touch with what is happening in the world prepares the next generation for what lies ahead for them, bringing a sense of responsibility to whatever role they take on next.

Those family offices that proactively addressed the need for a broader 'Next Gen' education programme early on have been successful in instilling a greater sense of responsibility in younger family members. These initiatives should evolve over time, to keep pace with the changing social and cultural landscape.

Responsibility and Financial Capital

Wealthy families have a huge opportunity to make a difference to societies through deploying their financial capital responsibly. As investors, families can effect positive change in the way businesses engage with the environment, communities and their shareholders. It is a clear way of setting out their stall in terms of their ability to wield financial influence positively.

Socially Responsible Investing (SRI) is one way in which families can encourage and generate specific social or environmental benefits in addition to financial return. They may also work with their advisers to build a portfolio that fits with environmental, social and governance (ESG) criteria. SRI has already had real influence, while ESG is starting to take meaningful effect. Businesses that have not behaved responsibly during the coronavirus crisis have been the subject of increased scrutiny, often influencing their share prices if publically quoted.

When it comes to philanthropy, families have an opportunity to be involved in a cause they care about. Agreeing a purpose for the wealth helps the process of deciding what

that is. It demonstrates commitment to their values, via financial capital, while being involved as part of social capital initiatives.

Some commentators are sceptical about philanthropy, questioning the assumption that it automatically results in the appropriate redistribution of wealth. Often, they fear, philanthropists are too inclined to support 'elite' causes like the arts or educational establishments that already favour those with advantage. True, philanthropy is an expression of the influence that wealth brings, but it is not fair to say that it is always wielded without empathy, imagination and due responsibility.

Embracing responsibility – the benefits of a strategy

Purpose should be on every family's strategic agenda. Not only does it benefit its members themselves, giving them a long-term sense of worth and responsibility, but it can also have a powerful ripple effect across communities.

The best way of authentically embracing the responsibility that wealth brings is to ensure that purpose informs everything a family does. In doing this they can gain control of their own narrative. Sitting down with advisers and working on a purpose for their wealth through the Four Pillars of Capital framework can help decide what a family believes in, collectively. The right leadership is crucial in engendering a culture of responsibility – ensuring that this message is instilled throughout the family and on to future generations.

Today, families have a real opportunity to lead in this regard – to use their influence to drive the impact of their wealth and effect positive change. There is, at present, a groundswell in the collective moral conscience with regard to social inequality and environmental sustainability, particularly among the next generation. Families will do well to harness that energy, lead by example and embrace the responsibilities bestowed on them.



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