



## INTEGRATED WEALTH MANAGEMENT

— FORWARD THINKERS —

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March 2007

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### The Family Balance Sheet:

#### A simple process for capturing your people assets

As we find ourselves at a time in history when there is a greater concentration of financial capital in peoples' hands than ever before, a question comes to mind: what is the make up of your wealth? Families tend to think of wealth in terms of financial assets with monetary value: the family business, marketable securities, cash and real estate.

Yet what is the *real* wealth of your family? When asked this question, most people are drawn to the human capital side of the equation – the value of the people, relationships, traditions and stories that make up their family experiences and family culture. If the people are the most valuable asset, why not create a Family Balance Sheet to accompany your hard asset financial balance sheet?

#### **The Family Balance Sheet concept: valuing the intangible elements of family wealth**

Two of the basic types of intangible family assets are Human Capital and Intellectual Capital. Human Capital can be defined as all of the individuals who make up the family as well as their emotional and physical health, including nutrition, exercise and lifestyle. The idea is, if a human being is an asset, let's protect that person from risks associated with poor health, nutrition or other risk factors.



The second basic type of intangible family assets is Intellectual Capital. This is everything that everyone in the family has knowledge about. It could be a full-time mom who has raised four happy, productive children – what is her intellectual capital around parenting? Perhaps, it's an adult nephew who has traveled all over the world. What cultural insights and travel-savvy expertise could be shared within the family system?

#### **The Family Balance Sheet exercise:**

This exercise is a simple, first step to capturing and leveraging your family's non-financial assets.

##### **Step one:**

List all members of your family, your Human Capital. Think in terms of extended family as well as friends who are considered family.

##### **Step two:**

Next to each name, list that family member's Intellectual Capital. Consider doing this exercise over a casual family dinner party. Ask each family member to comment on their own Intellectual Capital and that of others in the family. Use a big easel with oversized paper and colored markers and record the answers as they come up.

##### **Step three:**

Have a family discussion about ways to promote the growth and sharing of the Intellectual Capital. Document everyone's thoughts and ideas. Decide if you'd like to take the exercise further and, if so, schedule another family meeting to brainstorm events or projects.

Finally, attach your Family Balance Sheet to your existing financial Balance Sheet. You've now completed the first step in creating a truly comprehensive Family Balance Sheet.

As usual, please feel free to contact us regarding this or other planning related issues.

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