THE FAMILY BALANCE SHEET*  
James E. Hughes, Jr., Esq.

ASSETS

- The family represented by the individual members of the family of affinity
- The family's human capital
- The family's intellectual capital
- The family's financial capital
- The family's social capital

LIABILITIES

Long-term Family Risks
The Proverb, "Shirt sleeves to shirt sleeves in three generations"
- Failure of family governance
- Failure to understand that success requires a 100-year plan
- Failure to comprehend and manage all forms of family capital …human …intellectual …financial

Intermediate Internal Family Risks
- Death
- Divorce
- Malthus’ Law—the geometric increase of family members in each generation
- Creditors
- Poor beneficiary/trustee relations
- Investment programs of fewer than 50 years

Intermediate External Family Risks
- Inflation
- Inadequate trustee management
- Estate and other forms of transfer and wealth taxes
- Holocaust
- Acts of God
- Changes of political system
- Lack of personal security

Short-term Family Risks
- Income taxes
- Market fluctuation
- No mission statement
- Lack of financial education

SHAREHOLDER EQUITY

- Are individual family members successfully pursuing happiness?
- Are the family’s human and intellectual capital increasing as measured against the family’s liabilities?
- Is the family as a whole dynamically preserving itself?
- Is the family's governance system producing more good decisions than bad taking a 7th generational view?

*Special thanks to Charlotte Beyer and The Institute for Private Investors for their invaluable assistance in the creation of this work

Copyright © 1999 by James E. Hughes, Jr.