

THE FAMILY BALANCE SHEET*

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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?

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