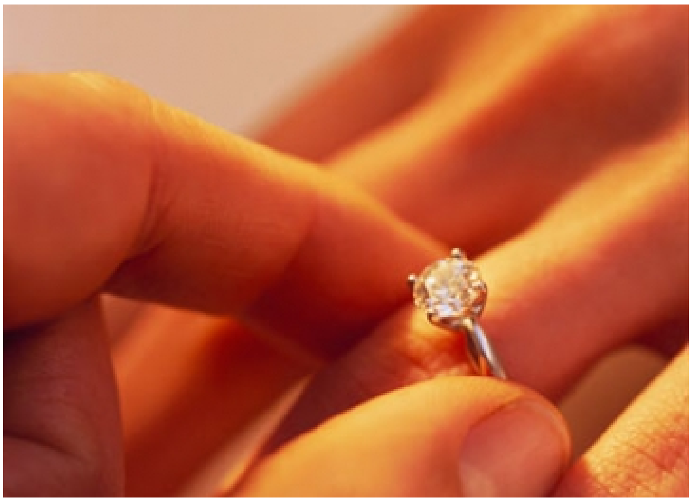
Shahnaz Mahmud
Senior Editor - Family Office Review



When you think of spousal contribution, typically the term refers to deposits made by one marriage partner into the other's individual retirement account. But, within the family office industry, it can take on a much different meaning.

Spouses are sometimes considered the outsiders by the other family members, perhaps not quite finding a voice or a place to fit - not always, of course.

And sometimes they can be the unsung heroes, serving as instrumental in working towards family continuity.

Christine Galloway, president and CEO of Minneapolis, Minn. based Okabena Company, says that spouses are sometimes more appreciative of a family's legacy than the person they married who is a family member because they represent that objective third party. Perhaps they had not experienced the same magnitude of wealth in their own family situations.

"They come into the family and see a sort of phenomenon; usually a set of leaders and a true success story - and the impact through generations. [The immediate reaction is] I want to be sure that this is perpetuated for my kids and that they have the opportunity to benefit from this the way my spouse has," she says, adding: "At least in families where spouses are encouraged to participate."

That isn't the case for all families.

But, it's an important point where family dynamics are concerned.

Okabena Company created a family council in 2001 with the purpose to engage family members in a social context, meeting about six times a year, but also to educate and inform them of the going's on within the family. It's serves as the engine for maintaining the family legacy.

"They wanted to create a place for family members - that was separate and distinct from the business where they could come together and they didn't necessarily have to be clients of Okabena Company. They just needed to be members of the family," Galloway explains.

Here, spouses serve very actively on the family council. And Galloway points out that they have always allowed spouses to take director positions on the board of directors of the company.

"Right now two out of four family members that are on the Okabena Company board of directors, are spouses and two are lineal descendents. So there's also been very active participation in the oversight of the company," she says.

Spouses tend to be big proponents and strong supporters of developing educational programming within the family, "because they haven't grown up with it or know how important it is for family members to be empowered with information and understanding what stewardship of wealth entails," she furthers.

Galloway also notes that ex-spouses have stayed on as clients. While they would not be involved in the family council, they still have an opportunity to remain engaged.

"Many of those spouses who do choose to stay involved do so because they still have children who are clients who are a part of the family and they want to stay engaged and informed in some way shape or form," she says.

Overall, through the demonstrated passion and commitment she has witnessed, Galloway says spouses represent a talent pool that should not be missed.

"It's important - especially if you are focused on sustainability, and perpetuating the legacy - erring on the side of inclusiveness, versus exclusiveness. At least in our situation that has served us well."

Pitcairn is a good example of this.

In the early 1960s, the patriarch of the Pitcairn family, Raymond Pitcairn, asked son-in-law Jim Junge to run the family office. The family was the main stakeholders in the Pittsburgh Plate Glass Co., or PPG Industries as it is better known today and had amassed a huge fortune in the early part of the twentieth century. Pitcairn saw Junge, who grew up with humble origins in Illinois and was a chemical engineer by trade, as more fit than family members (now in its third generation) at the time to take on a leadership role. And Pitcairn was right. Junge took the reins in 1963 and not long after set about to create a strategy to build upon the wealth of the company, instead of simply preserving it. What eventually resulted was an addition of close to $140 million to the family fortune.

"He was able to see the future, to think strategically and bring some relevant education in to that family business. So for the Pitcairn family they've always 'had the in-laws,' but this one in particular was a very positive experience for them," says Leslie Voth, president and COO of Pitcairn in Jenkintown, Penn.

Speaking to the structure of the multi family office it has morphed into, Voth notes that spouses can and do serve as integral to the decision-making process.

"When there's a big decision that needs to be made within a family, if we know an in-law is particularly vocal, we'll actually go to them first and call them or meet them and tell them what we are planning to talk about and ask for some thoughts. We'll work it ahead of time to try and get a smoother meeting going," she says.

Style in communicating, Voth adds, is an important ingredient: "There are so many bright people that are gifted thinkers and can see very clearly what has to happen. But the way they bring it into the family is either going to make it successful or not."

But, as largely credited to Charles Collier, philanthropic advisor and author, in-laws are sometimes considered 'outlaws.'

"There are clearly times where people either don't want to give to the in-laws and they certainly don't want them at the family meetings," says Randy Hustvedt, managing director of Evercore Wealth Management in New York. Sometimes it correlates to the trust factor--or the lack thereof, and sometimes a fear or hesitancy to bring them in, she says.

"When they don't however, it can be more destructive than when they do. Because then the daughter-in-law or the son-in-law is there just behind the scenes. So when my clients take my advice and bring them into the fold it often greatly helps [with overall family matters]... I think bringing in the spouses whether or not you really like them is one of the best practices that I have seen in successful families," says Hustvedt.

Sandra Gontero, SVP and managing director of Pepper Pike, Ohio-based multi family office Hawthorn, says she sees the spouse's role as really critical in legacy planning.

"I always make it a point to not just invite the spouse to meetings - they are in just about every meeting we have," she says.

Gontero sees a true passion for legacy planning and for passing down family history to the future generations:

"that's a part of their legacy."

But, she has witnessed a shift since 2008 with the severe downturn in the economy.

"I think for awhile parents had this kind of this sense of 'well the kids are going to be fine, we've given them a good education. They are going to be fine on their own...Today I see a real difference with our economy changing - more of a concern. And it's not so much about the kids but about the grandchildren. Their kids are going to be pretty well on their way. But I think they are concerned with the economy down the road," says Gontero."

She points to many discussions around the current $5 million ($10 million for a couple) estate tax exemption, which provides the means for estate planning to the hilt at the moment.

But, it's the spouses who are demonstrating concern on the impact a huge monetary gift made now could have on the kids, particularly those under the age of 30 who have not yet established themselves. Gontero raises the issues of what that could do to their motivation to earn a living. Some of the conversations have been wrapped around "if you do give too much money too soon, you're really just stealing that sense of accomplishment from them...to be able to establish yourself and make yourself self-sufficient," she says.

Gontero adds: "I really see mothers [assuming they are the spouses] as more protective in that way. It sounds so stereotypical - and it is, but they get more engaged in the process of talking about legacy planning than they do when talking about investments and how assets should be allocated. They are really concerned with the meat of it."

