

**YOUR ACTIVE WEALTH PODCAST**

# It's Time for a Checkup: An Interview with The Family Office Doctor

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**Featuring:**

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[00:00:01] **VO:** Is your wealth strategy supporting your long-term goals? Welcome to *Your Active Wealth* with BNY Wealth, where we offer insights that can help you move closer to your goals. We'll tackle timely topics through the lens of the five pillars that comprise our Active Wealth framework: Invest, Spend, Manage, Borrow and Protect, and provide guidance on navigating the unpredictable, to help you build and sustain wealth.

[00:00:31] **Adam:** Hi, I'm Adam Lieb, global family office client strategist at BNY Wealth and the host of today's episode. Welcome back to *Your Active Wealth*. Comprised of some of the most sophisticated families in the US, family offices are supported by talented advisors that specialize in sophisticated wealth compositions. When built correctly, they facilitate the right environment to fulfill the family's financial goals while retaining its values throughout generations. However, because of the unique nature of family dynamics and evolving generational zeitgeists, family offices face a unique set of challenges which sometimes require the help of a third party. Today, we're speaking with Samy Dwek, Chief Executive Officer of the Family Office Doctor who helps family offices reach their full potential and bridge generational gaps when it comes to financial decision making. Pulling from a wealth of experience, Samy will reveal best practices for crafting and maintaining a mission statement, tips for preserving family values across generations, and pointers for how to alleviate some of the issues that can arise within family dynamics. He'll also provide guidance on how to enhance communication between family members to ensure they share a unified approach when it comes to managing their wealth and working toward their goals. It's my pleasure to welcome Samy, who we're delighted to have share his insights on family offices.

[00:01:59] **Samy:** Thanks, Adam. Thank you for having me.

[00:02:01] **Adam:** Terrific. To start, Samy. What are some of the best practices for drafting a mission statement? And how can families ensure its flexible enough to evolve with their changing needs?

[00:02:13] **Samy:** So, a good place to start is the mission statement, the value statement, who are we as a family. And it's really not that complicated, because what families need to think about is how do we have conversations generally. So, it needs to start around the table, just the family members, and it needs to be inclusive. And the issue that we regularly find with families is that matriarchs and patriarchs push down on the family their view. That doesn't work. It needs to be inclusive. Everyone's voice needs to be heard. As the family grows, you need to review your mission statement, review your value statement, because those different personalities will add to the flavor. It's not the Ten Commandments. It's a living, breathing document that grows and adapts with the family.

[00:03:05] **Adam:** Sure, sure, it makes a lot of sense. Generally speaking, what do you see is the biggest risk for family offices? And are there some simple measures they can put in place as safeguards?

[00:03:16] **Samy:** So, one of the things you're going to find, Adam, throughout this conversation, is that there is an underlying very similar theme which comes back to communication.

[00:03:25] **Adam:** Okay, sure.

[00:03:26] **Samy:** So, when we're looking at family offices, the biggest issue that they have, and I've written an article about this a couple of years ago, so let me start with 'I don't believe in the concept of a family office'. I believe in the concept of a "founder's office". What does that mean? It means that the family office was created by the founders, the matriarch and patriarch, okay? It's their views, their values, their money, their business, their people, their everything. So, the biggest risk that a family office has is that they are the matriarch and patriarchs' people, and they don't represent the family. Because a family office by definition should be looking after the family. But they don't. They look after the matriarch and patriarch. And yes, there will be some elements they do for family members. So, the family offices need to ensure that the family is getting around the table having communication, that they are known and communicating with the family members, that they are serving the family members. But if they are only serving the matriarch and patriarch, that to me is going to dispel disaster down the road and we're already starting to see it.

[00:04:36] **Adam:** Yeah, yeah. And when you start to see it, what are some of the cracks that you see first displaying that there is an issue there?

[00:04:45] **Samy:** So, the issue comes really, this is going to sound horrible, when there's the passing of the torch so to speak. Okay. That may be the mom and dad kind of resign and retire and say, 'Hey, kids, take over.' But there's still kind of there. And so you start to see, as the family members come into the family office, they create disturbances in the peace. Things don't run as smoothly, but the ones that are more, I would say prolific, is when a member of the family passes, the matriarch or patriarch, and the next gen comes in. And generally speaking, and I've been hearing this from a lot of attorneys I work with, is that they come in and go, 'You're not my people. You never represent me. You don't have my views, my values. I need someone, I need my people.' Right? And so, we're seeing a turnover and more of, I would say, a destruction of family offices than creation. They're winding them down, going their own different ways. And depending on size of wealth, when you split the money between the siblings, a single family office may not make any sense anymore. So really, having that planning done in advance, Adam.

[00:05:51] **Adam:** Yeah. And you touched on an interesting thing there Samy. Would you say that an office dissolving is always a bad thing?

[00:05:58] **Samy:** No. Not necessarily. Again, I think one has to look at does it make sense? And does it make sense from a lot of different angles? Does it make sense fiscally? Right. So, if two thirds of the money walks out the door, and I maintain that family office and the cost of running it becomes exorbitant on a basis point basis, then you know, wind it down. But that's crazy. It needs to make financial sense, okay. It shouldn't be a status symbol. Let's put it that way.

[00:06:32] **Adam:** Yeah. Pivoting just a little bit. I remember speaking with a family office, and I think you and I spoke prior about this, in conversation with a family office years ago. The chief executive officer of the office said that the office would sustain because they were great investors. But really, that seemed to me to be a little bit of a warning sign. Would you say that, you know, conducting regular meetings is important to ensuring that all family members are aligned in the decision making?

[00:07:01] **Samy:** So, you kind of touched on two different things, Adam. So let me just dissect it a little bit. So one is that they're really good investors. Okay. But is that what the family members want? And when you decide to retire as the CEO, CIO, of the family office, can I replace you with someone as good or better? And again, what about the views of the family? So that's one whole discussion we could have on that one. And then separately is the family members. So which ones do you include? How do you determine who should be in the family office? Sit on a board of the family office, sit on a committee of the family office, be the investment committee, the philanthropy committee, whatever it may be? And that comes back to governance. Governance is the rule book. And having a mission statement, a value statement, is the beginning, the foundations of governance. Governance is critical for a family, and that's the rulebook within which you decide, okay, who fits the bill to come into the family office? Who has the expertise, right? The training, the education, the experience. Because we can't just

take Bob because Bob as a family member determined, oh, he can manage it for sure. On the basis of what? And what if Bob's destructive? And what if Julie should be doing it? So there needs to be guidelines. And yes, it's through constant communication. Constant. It's not a one off. It has to be regular, and concerns need to be heard.

[00:08:39] **Adam:** Yeah, I mean I think you put it very succinctly there that what troubled me in that conversation about that particular family office is they thought that wise investments could take the place of governance. And that didn't seem to make sense to me. And I think you've sort of brought that to light.

[00:08:55] **Samy:** Yeah. The governance, honestly, I call it the family office rule book. Okay. What determines who is right and wrong? In-laws. Do I include them? Don't I include them? External people. What balance of people do I have? Internal and external, with rules for the family. What type of education? What if they have learning disabilities? Does that rule them out? Maybe, you know, again, people with dyslexia, are sometimes much smarter than others. So, should that be, you know, codified that if you don't go to college and you don't receive certain accolades, you're out? Very important to have those discussions. And that's where it comes back to it's a living document. So, tomorrow I have two kids who have some kind of learning difficulty. It doesn't have to be autism. Could be some form of dyslexia, dyspraxia, whatever it is, maybe they're the right people for the job. So, do we need to adapt a better rule book to take that into consideration?

[00:09:52] **Adam:** Sure. It's fascinating. That leads into my next question, which is what are some of the common issues that lead to this generational disconnect, and how can families address them to ensure the continuity of values?

[00:10:07] **Samy:** So, keep in mind that as technology advances and generations advance with it.

[00:10:13] **Adam:** Yeah, I didn't think you'd be able to start an answer without using the word "technology" in this answer.

[00:10:18] **Samy:** I'm sorry. Or maybe I'm very happy for you. So, technology has been disrupting communication, and I don't mean it in a positive. It started with email back in the day where people send an email. Oh, I sent an email it's okay. Yeah. Did they get the email? Did it end up in spam? Some people get so many emails, it could get lost. You could accidentally delete emails, social media, forms of communication. And we're seeing younger and younger generations hide behind it sometimes because they feel protected by it. So, they could be very aggressive on an email, but very nice in person. So, one has to be very careful. Getting people around the table without technology, just people. We need to get people back to conversations. We need people to be okay with being offended. This new term of 'I'm offended', I love it. My daughter did this to me once and I turned around, said, "good, you're offended. I'm so happy. Be offended. It means we're having a conversation. Let's discuss." We can agree, disagree. Convince me I'm wrong. But then it's also about the family and attitudes. Is the family open minded enough to listen? Okay. Or is it lip service? If it's lip service, God help us. That's a really bad, bad thing. But if it's literally listening, actively listening, what they're really saying you take it in and you use it, then they will come more to the table and be more part of the conversations. But if we just rely on emails and social media, then families are doomed. They really are. Because then they're not communicating, they're hiding. Hiding is not good. Again, I told you. Common theme: communication.

[00:12:11] **Adam:** How can you, essentially, reach out to the family members that seem resistant to that sort of engagement?

[00:12:19] **Samy:** So, the way I have done it with the families I work with is this. First of all, when you get a family meeting, get all the family in the room. And you need an independent person such as myself. It doesn't have to be me, but someone like me, who is moderating the session. Okay. Family members, family offices, your legal advisors. You're conflicted. You need an independent third party coming in specifically for this type of task. Sit them down. Let all the family speak together. Now kick the parents out the room. Let the kids talk. Now get the kids separately. And you keep doing these divisions of how you have people. And you're going to hear very different conversations. And it's for multiple reasons. The kids sometimes are fearful of each other. 'Well, you know, John's the favorite one. So, he's going to go back to dad. I can't say that in front of John.' But when they're

alone, they'll feel less constrained and more open. So, it's not just about having a conversation in the room. It's about creating the opportunity for, you know, conversations where they can be unrestrained, where they don't fear any kind of pushback from what they've said. And then it is the moderator to come back and bring those conversations together without throwing anyone under the bus. Right. 'Oh, John told me this.' No no no no no. The general themes I'm hearing are 'blah.' Right? Enable the people to be heard. Make sure that there is recognition of what these people have said, and that it is then integrated into what they're doing. That is active listening. That is how we move forward. That is how you enable people to have conversations. But if you shut them down, they're not going to ever make the effort to do anything differently.

[00:14:08] **Adam:** Got it. Got it, it makes a lot of sense. And sort of continuing on that theme Samy, how does the emotive side of family dynamics affect family office decision making, and how can family offices address this?

[00:14:23] **Samy:** So first of all, it's only about emotion. It's all about emotion. Okay. And I've written on this because I like to blow people's minds. So, sibling rivalry is good. Family dysfunction is good. Sounds crazy, but I like family dysfunction. Not because it keeps me in business, because it's healthy. Okay. Every child is vying for mom and dad's attention and proving to them that they are satisfying their expectations. Right? So, they're constantly trying to do something to prove that they are succeeding in the eyes of mom and dad. And that will create conflicts between them. I've seen it with my own kids, where my son, who has some learning difficulties and yet now very successful, would always come and say, 'Oh, you must think I'm very stupid. I don't get grades like my sisters.' It's like, no, I don't measure you the same. You're different. And so, I have to measure you differently. Not all parents do. So, sibling rivalry is that competition of doing like their siblings rather than doing to the best of them. Okay. So that's one. Two, is the kids need to comprehend that they have different sets of parents. I have three kids who are all biologically ours, mine and my wife's, but they have had three different parental experiences because we were different people for each child. We were different places in our life, different experiences with children, different experiences for everything, living in different places, by the way. All of that means that they didn't have the same experience, so you can't expect them to feel that they were treated the same and we need to get over this feeling of, 'Oh, why don't you treat me the same as my brother and sister?' Because we can't. Because you're not the same. And if I treat you the same, either means that I'm doing harm to one of you or all of you, and I'm not doing right by you. To treat you differently is to treat you in the best way possible. I have to treat you with what's right for you. Not for others. So, I think these are emotional things we have to deal with. And family offices need to recognize this, too. And it's hard because that's not the job. But it is. It really is. And if you're in a family office and you can't deal with emotion, get out of being in a family office.

[00:16:46] **Adam:** Yeah. Yeah. No, I completely agree. And you know, the way you were just speaking there and describing every family, and a lot of these issues are human and they're either amplified, magnified or made different due to the fact that they're within a family office. You know, some things that impacts and affects families all over the world are substance abuse, drug addiction, and alcohol addiction. Could you talk a little bit about how family offices can handle that very tricky subject for any family, let alone a family office?

[00:17:16] **Samy:** I'm going to add one that you didn't mention, mental health. Mental health is another one that that has become more prevalent and more discussed and more open and we're trying to get rid of the stigma of mental health. I lobby on mental health. I do a lot of work in the mental health space. So, substance abuse. Alcoholism is a very big problem, particularly in the US. You look at the numbers of substance abuse. People suffering with substance abuse is about 40% of what we know. Right? Of what we know. So, maybe even higher. Mental health is about 35% of what we know. Again, there's a lot of stigma. So, a lot of people don't talk about it in many different communities. Many families have difficulty dealing with it. They will hide it. They're embarrassed of it. They don't realize it's an illness, and it's an illness that won't go away and needs to be dealt with, and family offices need to recognize that, too. The problem for a family office is their fear of being fired. "FOF", fear of being fired. So, that's a big problem for them, because how can I go to mom and dad and say, 'Hey, I'm really concerned. You know, one of your kids has an issue and it's manifesting in the way they're acting, and we need to take action.' And what actions can you take? And alcoholism and substance abuse, very different, the actions you have to take. And mental health also. I've had to have had conversations with clients. I've had to remove kids

from the house. I've had to put adults in rehab. Very difficult conversations. And again, if you look at the numbers I gave you before, it's very prevalent, and very rare if you don't find it in households. Okay. So, we need to become more attuned, and we need to remove the stigma. And you'll find a lot of my writings deal with that. I'm very proud. I wrote a paper about redefining normal. I don't believe in the term normal. Nobody is normal. And once we can accept that nobody is normal, then we can accept that these are issues that are normal. Okay? Standard. We're going to come across in every family. Every family tries to bury it through embarrassment. We need to get rid of the embarrassment and deal with it.

[00:19:38] **Adam:** Yeah. I've always thought about it sort of from the other perspective, that everyone's weird. You just might not know how they're weird just yet because you don't know them well enough yet.

[00:19:47] **Samy:** But my weird is normal. For me, but not for you.

[00:19:50] **Adam:** Correct!

[00:19:52] **Samy:** It's like, you know, moving to the state, someone goes, 'Oh, you've got an accent.' And I go, 'Well, actually, you've got an accent for me.' So, it really depends on the point of view.

[00:19:59] **Adam:** That's right. That's right. That's exactly right. And, you know, that's a perfect segway, Samy, into my next question, which is about blended families. And, you know, in prior conversations we had talked about "blended" could be any sort of blending, you know, new marriages, new children, adoption, divorce and then, you know, blending of other cultures, etc. So, could you talk a little bit, you know, about best practices when it comes to running a family office with a blended family?

[00:20:29] **Samy:** So, I think it comes before the family office. It comes to the planning. The planning is really important. And here's the problem I have. When you look at attorneys doing trust and estate planning, they plan for both spouses. But they don't take into consideration those spouses could separate. And now I'm conflicted because I represented both. But can I really represent both? So how should we do the planning? Then you have a marriage or a new marriage, second marriage, third marriage, whatever you want to call it. How do the kids from the first marriage deal with second wife and potentially their children? And when second spouse or first spouse passes and second spouse or second wife inherits or second husband inherits the money, when they die, it's going to go to their kids and not back to the original family. That creates conflict. So, making sure you've got the planning in place, making sure before the second or third or fourth marriage, depending on where you are in your life's time, the planning is done to prepare for those eventualities to the best of your ability, and there are plenty of things you can be doing to ensure that that takes place. And yes, it's probably going to cost money because you may have to put things into a trust. Prenups, I think this there's a whole conversation to be had about prenups. And look, I think family offices feel uncomfortable in many cases getting involved in those conversations. That's why people like me exist. Because we're not part of the family office. We're going to come do that job and walk away, and the family office feels safe, right? Because again, there's that "fear of being fired." And it's real. Because even if they're doing absolutely the right thing, how do I deal with it? Blended families have become the norm. Global families where you have mixed cultures have become normal, right? Like globalization, as we call it. Right? Not just the businesses, it's of families too. And remember, if you look at a Middle Eastern family and their culture and then you look at an American family and their culture, they're quite different. So, imagine putting those two families together and imagine the considerations of the kids who've grown up in different places with different values, different foods, different everything. It's going to create some form of discomfort, and potentially conflict, and they need to be dealt with. It needs to be discussed. You need to get them on a similar playing field, but it will also come back to planning. Don't underestimate the importance of planning.

[00:23:07] **Adam:** Got it, got it. And you've come back to planning a few times. So, I suspect that in my last question for you today, planning may or may not be the word you would use, but do you have any final takeaways for our listeners today?

[00:23:21] **Samy:** Final takeaways? Yeah, a couple. First of all, it's never too late. I hear too many families. 'Should we start this? Oh, it's too late. My kids are grown up.' It's never too late. It's too late only when you're



dead. Okay. If you don't do it whilst you're alive, I guarantee your kids will be in court fighting and the only winners are the lawyers. So that's number one. Two, as uncomfortable as it is, do it. It is uncomfortable. You may hear things you don't want to hear. Go in with an open mind. Be ready to hear things you don't want to hear and be ready to put in solutions. Remember, people like myself, we do this to put the plans in place, to put the governance, the roadmap, as best as we can. Can't guarantee anything. No guarantees. But like you, Adam, you manage money, right? You can't guarantee where the markets will go, but you do as much as you can to put them on the track of where they want to end up. Families need to do the same thing with their families, okay? It's a different type of planning, it's a different type of risk management. They don't do the risk management. Adam, doesn't matter what you do in your portfolios, if those families start to feud, they're going to lose so much money. It doesn't matter what BNY does in managing the assets. Really doesn't matter. It's really important to sit down, have uncomfortable discussions, start to talk about the in-laws and their involvement. Or not, depending on your point of view. What type of family are you? I had this conversation just last week. Are you a family first or business first? And it was interesting. Mum was all about family first and daughter was all about business first. And so, daughter coming into the business has now fired siblings because it's decided that they're deadweight. And that really hurts Mum, and they've never had that conversation. It's never too late. Not having the conversations, major negative. Again, what did I say at the beginning? It's all about communication. Communication, communication, communication. I can't stress it enough. Family offices, my advice to you is don't push back on getting outside help. They're there to help you and the family. They're not there to undermine you. It may feel uncomfortable to have an outside to do this. You're never going to be able to do it. You're way too conflicted. It's unfortunate to have to say it, but that's the fact. So those would be my takeaways. Communicate. Family meetings. Family discussions. Get used to being uncomfortable.

[00:26:01] **Adam:** Well, you said “uncomfortable” a number of times, but I have to say, Samy, this has been a very comfortable conversation with you. And thank you so much for joining us today. Those are tremendous insights. To learn more about helpful tips for family offices, I encourage you to reach out to a BNY Wealth Manager. Thanks for joining, and we'll see you on our next episode of *Your Active Wealth*.

[00:26:25] **VO:** Thank you for listening to this episode of *Your Active Wealth*. Be sure to subscribe to this podcast on Apple Podcasts, Spotify, Google Podcasts or Stitcher and visit [bnymellonwealth.com](http://bnymellonwealth.com) to view the latest insights on the subjects that matter most to you.

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