Knowledge Is Wealth

BY WILL BONNER, EXECUTIVE DIRECTOR, BONNER & PARTNERS FAMILY OFFICE

My essay for this month's Strategic Review is about how the family office is a learning machine. But as soon as I read Joey and Joanne's essays, I realized that I had made a significant oversight...

A successful family office is a learning machine. The lessons learned from trial and error about what works in a particular business or investing niche are passed on from one generation to the next. So, instead of starting from scratch in each generation, Old Money families build on the success of the previous generations.

However, the family office as a learning machine does not stop with business and investing. It extends to the family identity and family relationships as well.

In This Month's Issue

Successful Old Money families also have self-knowledge. As Joey addresses in his essay, a family "clan" knows who they are. They know what their family stands for.

And in her essay this month, Joanne writes about trust between family members. In order to have real trust between family members, they must know each other on a deep level. Joanne discusses the various levels of trust and how to build it if it is lacking...

Eric Marshall, our tax and legal strategic partner, shows you how to structure your family educational plan to take account of the changing thinking toward formal education.

And our international real estate investing strategic partner, Ronan McMahon, reveals how to double your money in a year on a beautiful English-speaking Caribbean island.

I hope you enjoy this issue of Strategic Review.

Best regards,

Will Bonner
Executive Director
Bonner & Partners Family Office

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The Learning Machine

BY WILL BONNER, EXECUTIVE DIRECTOR, BONNER & PARTNERS FAMILY OFFICE

Growth in wealth stems not from an efflorescence of self-interest or greed but from the progress of learning, accomplished by entrepreneurs conducting falsifiable experiments of enterprise, their outcomes measurable by reliable money.

– George Gilder, The Scandal of Money

Over the last two issues of the Strategic Review, we have explored the idea of passing on family office values in order to maintain generational continuity and stay rich for multiple generations.

For the same reason, it’s important to think of your family office as a learning machine. These values we talk about provide valuable information...

My family members and our top executives think of our family business that way. We’re always testing ideas to see if they resonate with our audience. Every success and failure contributes valuable information in terms of our understanding of what our customers want. This information spreads through our organization, allowing our businesses to better serve our customers, thereby producing profits and wealth for all involved – namely us and our subscribers.

The same idea applies to multigenerational family offices. That’s the big difference between Old Money families and everyone else. Instead of each generation starting over from scratch, valuable information about what works and what doesn’t is passed on from one generation to the next.

Focus Your Resources

Wealth passed on without the accompanying information about how it’s made, grown, and protected is really not worth very much.

In many cases, it’s worth less than nothing because it allows the next generation to live off that wealth without actually learning anything about how that wealth came to be. This is usually a recipe for disaster, and that wealth rarely lasts very long in these situations.

It’s also where the old proverb of “shirtsleeves in three generations” comes from. The learning stops in the second generation because, in a lot of cases, the heirs of the original wealth creator don’t have to work. Since they’re not earning, they’re not learning. The money is spent through by the third generation. Then the family has to go back to work, starting over from scratch. Neither the wealth nor the knowledge that was used to create that wealth has survived.

As mortal human beings, our knowledge is limited by time. Time is the great equalizer. The rich and poor get an equal share of it, more or less.

That’s why successful multigenerational families specialize in certain business and investing niches. Of the wealthy people I’ve met over the years, most are specialists in a certain area. They accumulate knowledge in a very specific market, which gives them a significant advantage in that niche. Only a competitor with greater knowledge can beat them.

That’s why, as a family office, you need to focus your knowledge and your resources to succeed. And the greatest resource your family has is its human resources. That’s why I encourage Bonner & Partners Family Office members to “stick to their knitting” through multiple generations. That way, they can use the family’s accumulated knowledge to build wealth over very long periods of time.

Many of our members do not have family businesses. It helps, but you don’t need a business to utilize this concept. If you’re reading this, then your family almost certainly has an investing niche. I doubt that you are just chasing profits in every promising investment idea that you hear about. That is a recipe for failure. Instead, you most likely focus on a certain investment area where you have some accumulated knowledge.

The trick is to make sure that the knowledge of this niche is passed on to the next generation. Otherwise you’re just starting all over again with each generation, like the poor and the middle class do.

By ensuring that knowledge is passed on, you can benefit from the primary advantage of the family office... time.
Time Is Money

Family offices figure out how to use time to their advantage. They let time compound their investments. And they compound their knowledge over long periods of time, passing it on through multiple generations.

Time works against the poor. As hourly workers, their earnings are limited by time. And they just don’t work enough to compound knowledge. Here’s another great quote from George Gilder’s excellent book *The Scandal of Money*:

Under a rigorous time regime, it takes work to accumulate the knowledge that builds wealth. Learning entails labor. The top quintile of households contains an average of six times as many fulltime workers as the bottom quartile. The more “wealth” a person commands, the more time is entailed in managing and investing it.

Also, the average investor is never able to take advantage of compounding because he doesn’t give his investments enough time for compounding to take effect. That’s why, according to studies, the best investors are either dead or have forgotten about their account. They allow time and compounding to work their magic...

These are important insights. You don’t want your family members working against time like most people do.

Instead, teach them to leverage their time, to get time working on their side. The best way to do that is to get them working on behalf of the family enterprise, or learning about the family investing niche, so that they know about that niche better than anyone else.

That way, your family is compounding knowledge, and ultimately wealth, on behalf of future family members. Don’t let time be thrown to the winds of chance while your heirs “do their own thing”...

Wealth takes time and effort to manage. That’s why people set up family offices to professionalize the management of wealth. Some family offices have a whole team of people dedicating their time to managing and growing the family’s wealth. This team, hopefully, learns to effectively manage that wealth. But it’s this learning that is the real wealth... not the money...

That’s why you’ve got to get your family members involved. As the future owners of the family wealth, it’s important that they learn to manage wealth alongside your team of professionals.

Learning as a Legacy

As you can see, it’s this learning in your family’s niche that is your real legacy. If you pass on the learning, the money almost doesn’t matter. Your heirs can build wealth themselves using the niche family knowledge that they’ve gained. The family wealth that they inherit just gives them more resources to work with and makes things easier.

You don’t want your children to just inherit money. You want them to inherit businesses and/or investments that come with management challenges. It’s through dealing with these challenges that they accumulate the knowledge of how to successfully manage wealth.

So let them deal with these challenges as early as possible. Let them fail small, often, and early, at first in a controlled setting that you oversee. That way, they can learn valuable lessons about managing wealth firsthand, but with back up and support.

This “learning as legacy” idea also solves one of the biggest problems that plague the next generation of wealthy families: their ability to create their own success.

Don’t let your children live in some kind of protected bubble, where all their wants and needs are taken care of. That will hurt them more than protect them because they can’t learn anything under those circumstances. Instead, treat your family business and family office as a learning machine.

Of course, the family office project is not for everyone. Some family members will have no interest in it. But everyone needs to manage his finances to some extent.

And the heirs to your family estate will need to manage the family assets. Or, at least, oversee the people that manage those assets. So you have to make sure that they are learning the skills that they will need to do that.

Learning is wealth, so be sure to pass it, not just money, on. And make sure that your family wealth is not being used to inhibit the learning process. By treating your family office as a learning machine, the future generations of your family will prosper.

Editor’s Note

If you have any questions for Will, please email feedback@bonnerandpartners.com.
The Clan

BY JOSEPH MCCLINEY, FAMILY GOVERNANCE STRATEGIC PARTNER

Transitioning from my normal work mode into my vacation mode is always substantially easier in Nicaragua. Rancho Santana provides a remarkably relaxing combination of the rhythmically breaking surf, fragrant hints of plumeria blossoms, and sunsets so beautiful my absent wife insists I text photos so she can share in the daily ritual.

The warmth of the attentive staff at Rancho Santana is equaled only by the weather. It’s little wonder our host, Bill Bonner, decided this year to extend his week-long vacation to a month-long stay.

It was my fifth time attending and presenting at the Bonner & Partners Family Office annual Family Wealth Forum. A pleasant accident of birth placed me in front of the group rather than sitting in the audience. Anyone listening could have been presenting. Their particular circumstances are as fascinating as any I’ve heard in the last several years.

Taboo Talk

It may sound odd that someone presenting at this event enjoys attending probably as much as those in attendance, but that’s the reality. It’s why, with or without my better half, once a year, I travel some 3,000 miles each way to discuss family offices. It’s also a rare opportunity for me to boast about some things normally taboo in my world: family and wealth.

It’s an Old Money thing. Even while working in our investment bank, our discussions about our family wealth are limited. We talk around it. Production is our go-to word for anyone experiencing financial success at the bank. Instead of saying, “He made $75,000 on that trade,” we’ll say, “His production is up,” with everyone knowing, nearly to the cent, exactly the amount.

Even calling our business “the bank” is frowned upon. If you saw our offices, a bank would be the furthest thing from your mind. “Bunker” would be a more apt description. It comes from our family’s long-held practice of shunning any outward displays of wealth. As long-time readers of Will’s monthly essays will know, this is a trait common to the most successful multigenerational families.

The Family Wealth Forum lets me do what I dare not do at home, in the office, or with friends. It’s the one time every year I’m actually encouraged to open up.

A peculiar thing occurs there. Members open up, too. Perhaps it’s the stress-free setting, but the conversations are always unguarded and sincere.

Yet it’s the after-hours conversations that stay with me longer than those I hear in our formal sessions. Over the last five years, I’ve noticed that there are recurring themes to members’ questions.

Things Are Fine

One of the more common scenarios discussed follows a set pattern. Without exception, I’m told by fellow members that everything’s going fine in their family. They then provide a list of troubles completely refuting their “fine” statement. Typically, they’ll point to a child, stepchild, grandchild, sibling, etc. and say that this “problem person” wants nothing to do with the work of managing money or refuses to participate in the family office. They’re causing the family to fail.

What’s really being asked is “How can a family office structure fix things?” The truth is that most family offices provide massive conveniences, unique investment opportunities, and tax-saving techniques unavailable to the masses, but very few offer solutions to the problem scenario described above.

Highlighting the advantages of family offices, The Wall Street Journal wrote recently,

Clans with nine-figure fortunes are increasingly investing through unregulated firms known as family offices, impinging on the business of investment banking and private equity.

And as great as it sounds to pick off some of Wall Street’s top investment banks, that single line took my mind back to Nicaragua and that question that keeps recurring over the years.

A Decade Ahead of WSJ

Two things were remarkable in the article. The first was that The Wall Street Journal was reporting in 2017 something Bonner & Partners Family Office has been advocating for nearly a decade. Second, and more importantly, was the word “clan” used in the introduction and liberally sprinkled throughout.
The Wall Street Journal’s use of it was as a mere synonym for family. To me, and to anyone in a real clan, it goes way beyond the general term, “family.” Do a quick Google search of the word, or open up your trusty Webster’s Dictionary. You’ll find clan similarly defined as a close-knit group who are related or who share a strong common interest.

If your family office is having difficulty, it’s not because something is wrong with the concept, or a particular family member is lazy or uninterested. In nearly every circumstance discussed privately with me in Nicaragua, the difficulties in setting up the family office were not with the investment committee, estate plans, or other hard structures.

The real issue was almost always within the clan.

My Sister, the Bouncer

Our clan is not perfect – not by a long stretch. However, second only to our faith, the clan is everything in my world. This concept was beaten into me from a young age.

Some explaining may be in order. My siblings and I, totaling five, could have had individual bedrooms in our home. However, my father thought it a good idea that I share a room with one of my brothers. Four brothers, all roughly 18 months apart, meant that fighting was not an uncommon occurrence in our house, much to the chagrin of our 5-foot-3, 100-pound mom.

Dad explained his theory to my mother by saying, “They’ll either learn to get along as a family, or they’ll kill each other.”

My roommate routinely pummeled me – and not undeservedly most of the time, I might add. Regardless, I survived, and my father’s unorthodox theory on teaching us to get along seems to have worked. We are loyal to each other without question. This loyalty extends to cousins as well, raised in nearly identical fashion.

My tall, skinny, attractive baby sister discovered just how effective the clan could be. While in college, she found a job as a bouncer. Although tall and strong, as I mentioned in a previous Strategic Review essay, she possessed no special martial arts skills.

However, she had something far more effective. She had her clan. Anyone that gave her trouble was quickly informed of four nearby brothers that had little trouble raining down hell upon anyone that may question her position at the door.

She held the job for two years. In her entire tenure, there was not a single instance of trouble that wasn’t calmed with only a conversation. She also blames her lack of dates on similar reasoning, but that’s a different story. It took only the idea of a real clan to shelter my sister from mischief, drunks, or potential boyfriends.

I Hate “Touchy-Feely”

Bonner & Partners Family Office is unique in that it focuses a great deal of attention on this aspect of the family office. If your family office is struggling, ask yourself how much time you have spent on your family council? Have you spent any time creating a mission statement?

These ideas are all discussed in Chapter 5 of the Family Office Blueprint, titled “The Lynchpin of the Family Office: Your Family Council.” [To read Chapter 5, just click here.]

Please don’t discount this as being too “touchy-feely.” For the record, it is. These sorts of things drive me crazy. But that doesn’t mean it’s unimportant. Family offices have massive benefits, as reported by the WSJ. However, speaking from a lifetime of experience in a family office, the Bonner & Partners Family Office formula has a critical advantage over those nine-figure family offices.

To my knowledge, Bonner & Partners Family Office is the only source that gives equal weighting to the family side – the clan – as to the investment side of this powerful tool.

My answer to anyone dealing with family office or family money issues is simple: Relax. Take a step back. And examine your clan. A professional can be VERY helpful. Bonner & Partner Family Office has one of those, too: Dr. Joanne Stern.

You’re lucky enough to have the benefit of Joanne’s professional wisdom each month in the Strategic Review. But she also works directly with families working on setting up their family office structures. She even makes house calls anywhere in the world. [To contact Joanne, just email her at joannestern@gmail.com.]

Some of the structures – like a family mission statement and the family brand – I consider to be somewhat artificial. The idea is to set up something that after a few years, or even a generation, becomes ingrained into the family so
that it becomes a natural part of your family and family council.

So if you haven’t already addressed these structures, it is important to spend some time with your family members doing so. And then, through your actions, make them part of how your family lives.

**Steal Your Family Mission Statement**

A family mission statement, if correctly created, should entail work from the entire family. Have everyone come together and discuss family values, ethics, and near-term as well as long-term goals. It should feel like a brainstorming session with as many family members present as possible.

A commitment must be made to create as short a family mission statement as possible to embody the family’s purpose. The statement should be designed to help guide the individual, as well as the family as a whole, in all critical decisions.

That, of course, would be the correct way to put together a family mission statement. My clan’s never been that creative or original.

When it comes to our family mission statement, we stole it. But regardless how it comes about, once you’ve got it, embrace it.

Nothing about my family’s mission statement is original. It was introduced to me before first grade, and the St. Joseph’s nuns helped it along through every step of my elementary school education. I can highly recommend it to Catholics and non-Catholics alike.

Our family mission statement can be found in the Baltimore Catechism. This was the religious instruction given in Catholic schools from 1886 to 1960. Much of it was written in a question and answer format so a 10-year-old would be able to understand it (making it perfect for my family).

Question six asks, *Why did God create you?*

The answer provided, and required to be memorized by all first-graders, is: *God made me to know Him, to love Him, and to serve Him in this world, and to be happy with Him forever in Heaven.*

That simple phrase is our family mission statement. Like my parents and grandparents, we were made to memorize it in elementary school. My parents would often ask us out of the blue, at any age, to recite it... just as a reminder.

Sound too simple? Perhaps, but I’ve found a great deal of power in its simplicity. In my twenties, I distinctly remember going to my dad and expressing to him that I felt unsuccessful because I wasn’t advancing in my chosen career.

He looked at me, smiled, and asked, “Why are you here?”

Like a good little Catholic robot, I automatically replied, “To know, love, and serve the Lord, and be with Him in Heaven.”

The second question Dad asked was, “How are you doing with that?”

When I told him I was doing pretty well, he just looked at me and said, “Then nothing else really matters, does it?”

**Bank Your Family Wealth**

He was right. And it’s the centerpiece of our clan. Everything is a very distant second to this simple, affirming statement. Everything is temporary, except this clan-held truth. Troubles, or more likely, perceived troubles, arise when we deviate from the goal of our mission statement.

I passed that lesson on to my daughter a few months before she started her new business venture. Months later, she told me it was an immense help when she was feeling stressed, exactly as it was for me thirty years earlier.

I’m not here to lie to you and say money isn’t everything. It may not be, but it does make everything, including misery within your family, more comfortable.

However, the wealth that really matters isn’t found in your investment portfolio or bank statement. Real wealth is found within your clan. Bank it while you can.

**Editor’s Note**

If you have any questions for Joseph, please email feedback@bonnerandpartners.com.
The Value of Trust

BY DR. JOANNE STERN, FAMILY RELATIONSHIPS STRATEGIC PARTNER

Trust is a value that lies at the heart of every successful family. In fact, families without deep roots of trust are surely headed for disaster in terms of both family harmony and the preservation of their wealth.

Trust is a value that drives your family interactions and decisions. In large part, it determines if you will be among the 30% of families who succeed in being able to transfer their wealth beyond three generations, or if you will join the vast majority of 70% who fall prey to the proverb, “shirtsleeves to shirtsleeves in three generations” and lose their wealth by the time it gets to their grandchildren.

Trust is a value you don’t want to overlook and one you should stay vigilant of so that you can address distrust immediately, should it come creeping into your family.

A Disjointed Family

Let me give you an example by telling you about a family I’ve been consulting with for the past couple of years. We’ll call them the Smiths.

When I started working with the Smiths, they were a disjointed family. After the elder Smiths passed away, there were four married second-generation (G2) children left, seven third-generation (G3) grandchildren, and several young great-grandchildren.

They didn’t know each other well because they only got together from time to time for holidays and family celebrations. It was rare that all of them were together at the same time. They enjoyed being together, but their relationships were on the surface. They didn’t really know each other deeply. They didn’t know how each of them thought, what they believed in, what their individual goals and aspirations were, how they handled problems, or what made them tick.

They were a bit like friendly islands floating about and bumping into one another from time to time.

A Rocky Beginning

One of the siblings, Todd, had taken over the family business as the CEO. The others knew very little about their business, even though they were all shareholders and received distribution checks every year.

Todd called upon me to help them get organized and start their family council because he was feeling the burden of the whole family on his shoulders. Since he found himself steering the family ship by himself and making all the decisions, he hoped to get the family more involved.

He wanted to create a forum in which the family could grow together and discuss important family matters in a more structured way. Indeed, this is really the main reason to create your family council.

With the support of the entire family, the trustees, and their business board, we began. The people most interested in being a part of their family council were the G3s (the cousins), most of whom were in their thirties and forties.

Since the Smith family had never done much together except have a few meals from time to time, they had never built mutual trust. As a result, when family council members started to ask questions about their family business, fears and misunderstandings began to slither in. And even though Todd had asked his family to become more involved and informed, he felt vulnerable and threatened when they did. He became suspicious and distrusting. He confided in me that he was afraid his family would judge him and his business performance and question his decisions and competence. It was my job to convince Todd that the family council had only good motives and intentions and was building loyalty toward the family.

Coming Together

As the family council members continued to meet and discuss their goals and visions, develop their mission statement, and write their family council charter, I noticed that they were getting to know one another much better. It became evident that they appreciated each other and were bonding. That’s the best by-product of creating a family council – the process bonds the family together and builds trust.

It also became apparent that Todd’s family supported him and only wanted to see their family business succeed. They weren’t judging him. To the contrary, they showed him honor and esteem.
But you can’t totally convince someone to trust another person. Todd had to earn and build that trust himself.

Then a couple of things happened that brought the family even closer together. Two of the four siblings decided to leave the family – each for their own personal reasons. But Todd felt crushed. I encouraged him to bring the matter before the family council because that’s what it’s for. It’s a safe forum to discuss important family matters.

So Todd took a risk and called a meeting of the family council. He laid out the problems openly and honestly. The family council listened carefully and discussed the issues with great sensitivity and thoughtfulness. They brainstormed possible solutions but deferred to Todd with great respect.

Clearly, they were building even more trust among themselves and also between them and Todd. The family was no longer disjointed – it was coming together.

And Todd realized he was no longer alone and isolated. The family council was like an army, supporting him from behind. Or, as Joey calls it in his essay this month, a clan.

**It Begins With Trust**

Trust and trustworthiness are values most families have in theory. However, many families have superficial trust, because you can’t really develop deep trust unless you go through some tough issues together and experience how each of you responds to the circumstances. In other words, you don’t develop trust in a vacuum.

Trust develops by experiencing how trustworthily the other people behave. This is what the Smith family did together when dealing with the two G2 siblings who walked away from the family.

Deciding to trust someone means that you take a risk, you give them something you value, and you see how they handle it. You make yourself vulnerable to that person by entrusting to them something you hold dear. It can be money or some other tangible thing.

Even riskier is to give them an idea, a concept, or an issue that’s important to you, or something that will affect your happiness or your well-being. If their actions support you, your trust will grow. But if you feel betrayed, your trust will shrink or even be crushed.

So choosing to trust someone is a risk-assessment exercise.

**Trust at the Center**

Many families have experienced broken trust and don’t know how to repair it. Trust is the thing that holds them together or breaks them apart, but they rarely address it directly. It’s not tangible. You can’t put numbers on it. You can’t assign dollar signs to it. Sometimes, you can’t really even articulate why you trust another person, or why you don’t. It’s a gut feeling. And yet, it becomes the primary driver in how you make decisions that involve the other person.

The need for trust is central to humans. While trust is essential for a family to thrive, any lack of trust is prevalent. It’s costly, and it threatens your family wealth. And it destroys your family happiness.

Trust is the most basic ingredient of every relationship. It’s fundamental to your sense of safety. It’s a thermometer that determines the health of your family relationships, because relationships are the bedrock of your family.

If you don’t have solid relationships, your family is teetering on the brink of disaster and failure.

The basic problem is that families lose their wealth because they fall apart. It’s become one of my mantras. First the relationships go, then the money follows.

**The Four Components of Trust**

When you trust someone, it gives you freedom to disagree and debate and allows you to get better, faster results with less stress.

Yet you may trust someone for one thing but not another. It may not be just a blanket of trust that covers all aspects of another person. Someone may be trustworthy in one arena but not another. So trust is easier to assess when you break it down into four different components.

In his book *The Thin Book of Trust*, Charles Feltman breaks it down like this:

1. **Sincerity:** “I mean what I say, say what I mean, and act accordingly.” Sincerity is the assessment that you are honest. You can be believed and taken seriously. It also means that when you express an opinion, it is valid, useful, and backed up by sound thinking and evidence. It means your words will align with your actions.
2. **Reliability:** “You can count on me to deliver what I promise.” When you're reliable, you meet the commitments you make and you keep your promises.

3. **Competence:** “I know I can do this. I don’t know if I can do that.” Competence means you have the ability to do what you are doing or propose to do. And the other person believes you have the capacity, skills, knowledge, and resources to do the job.

4. **Care:** “We’re in this together.” Care is the assessment that you have the other person’s interests in mind (as well as your own) when you make a decision and take action.

Of the four assessments of trustworthiness, care is the most important for building lasting trust. If others in your family believe you are only concerned with your self-interest and don’t consider theirs, they may trust your sincerity, reliability, and competence, but they won’t trust you fully. But if they believe you really care about them, they will trust you more broadly.

All the other characteristics of trust funnel through care and whose interest you have in mind.

It's tough when distrust sneaks into your family. It's a relationship killer and a family destroyer. So it's imperative to take action on the issue of trust in your family. Don’t try to sidestep it or it will come back to bite you.

Trustworthiness within your family is an incredibly important value. It’s too important not to be intentional about building and maintaining it. If you need outside help to work through it, don’t hesitate to get it. Trust doesn't usually re-build itself.

The Smith Family United

The Smith family gradually built trust as they solidified their family council and worked through some critical family issues.

But the biggest problem was yet to come.

Todd became aware of a problem with one of the family trustees. He felt she was mismanaging their investments, charging unusually high fees, conducting herself in an uncooperative and adversarial manner, and neglecting to report fully to the beneficiaries.

Because of the trust the Smith family had already built, Todd now felt comfortable bringing this situation before the family council and the entire family.

And because of the trust among family members, they were able to discuss options openly and honestly with the goal of assessing how various pathways would impact each individual. They wanted to make the best decisions for every family member because they cared about each other and were out for each other’s well-being more than just being out for the money.

The Smith family has huge decisions to make together. We're in that process. And they're doing a fantastic job of it.

I can tell you that a couple of years ago, before they got organized, created their family council, and began talking about the real issues in their family, this current problem would have blown them apart. Todd would have trusted no one and tried to make the decisions on his own. This action would have raised major distrust among family members. They would have splintered. But now, they’re a team.

What It Means to Be a Family

In order to be successful, you need a family that comes together to deal with things as they come up. You need family members who care about each other – who have built strong, positive relationships and who trust and communicate with each other to build off their shared values toward common goals and solutions.

If the Smiths had not started their family council, they would never have built trust and learned the skills to be able to deal with their family problems.

That’s because the family council is like a training center that teaches family members and develops characteristics within them to help them become more involved family members, more knowledgeable beneficiaries, more educated shareholders, better stewards of individual and family wealth, and great champions of family harmony.

The Payoff

As it is now, this major family crisis has actually brought the Smiths closer together. They built trust and improved communication gradually by addressing important family matters within their family council. Now it’s paying off big time.
You simply can’t maintain a multigenerational family without good communication and trust among family members. Both are essential values, but it begins with trust.

Your family values dictate your future and your legacy. Trust leads the way. If you and your family have not articulated your family values and built – or rebuilt – solid trust, now is the best time to start.

This is not just an interesting concept. It’s not merely a squishy, psychological thing to do. It becomes a business decision to take action to organize your family and impart the values you believe in so that you can take care of the critical issues that impact your future.

**Editor’s Note**

If you have any questions for Joanne, or if you would like to see how she can help turn your family into a high performance family, you can email her at joannestern@gmail.com.

**KEEP READING:** [SET UP A FAMILY EDUCATION PLAN THAT WILL STAND THE TEST OF TIME](#)
Set Up a Family Education Plan That Will Stand the Test of Time

BY ERIC MARSHALL, TAX AND LEGAL STRATEGIC PARTNER

Education is dear to the hearts of successful families because good parents want their children to succeed in life. As a result, the patriarch and matriarch want to educate the younger generations.

The first thought that comes to most people’s minds is to set up a college fund, because everyone knows that a college degree is the pinnacle of a great education.

Maybe this was true years ago. But the university model is becoming obsolete.

Universities were formed when access to knowledge and teachers was limited. Thus, to gain knowledge, students had to come to a university, which had a library and professors.

Online Education… For Free

But today, knowledge is available to anyone with a computer and internet access. MIT and other prestigious universities post all their coursework online – free.

Technology is increasingly eliminating the need for a human teacher. Intelligent computers are being created that will replace most of the instructors in undergraduate classes.

Universities are no longer the bastion of knowledge, and the current system won’t continue forever. And as tuition costs rise, up to 60% of recent college graduates are unable to find employment related to their degrees.

Meanwhile, major companies like Google are coming out and telling the truth. Google said they’ve found academic success has little correlation with performance in the workplace. So now, they will only look at a candidate’s education record if the candidate has no prior relevant work experience. So a college degree is no longer a means to get your “foot in the door” of companies like Google.

Most people don’t see this trend. A majority of people I meet steadfastly believe that a college degree is the best way to succeed in this world. For your family to succeed, you need to see the trend and take action.

A Family Education Plan built around obtaining college degrees will not stand the test of time because, one day, a college diploma will become obsolete.

Your Family Education Plan needs to be flexible enough to adapt to the changing times. While formal schooling may be appropriate for some, you don’t want to tie your plan to funding only formal schooling.

Here are four steps to creating a Family Education Plan to educate future generations of your family that take account of the changing educational landscape:

1. Write Down Your Educational Philosophy

What is your educational philosophy? The prevailing philosophy is to get a college degree so you can get a good job. It’s simple. It’s easy to implement. It’s expensive. It’s fully endorsed by the governments of the world.

But will it serve your family well?

I was shocked when I discovered that the educational model employed by government schools – including universities – around the world was designed to:

• Keep people in their place in society
• Produce obedient employees
• Produce soldiers for the military who unquestioningly follow commands, and
• Condition the population to accept socialism.

Is this what you want for your family?

Unfortunately, most private schools have unwittingly adopted the same methodologies employed by government schools. So most private schools don’t offer a good alternative.

You need to do your own research on what constitutes a good education and how to achieve it. A good place to begin is with the book that opened my eyes to the true nature of the system we consider normal: *The Underground History*
of American Education by John Taylor Gatto, a former New York teacher of the year.

I was indoctrinated by 20 years of formal schooling. My parents had the best intentions. But I am still unlearning what I was taught. I’m also learning through my mistakes. I’ve had interesting conversations with my adult children about how they plan to educate their children based on my (sometimes misguided) attempts to educate them.

As an example, here is my current educational philosophy. An educated person:

• is curious and pursues his curiosities
• is able to discover knowledge
• perceives how people think and things work
• learns from his mistakes
• can think and act independently
• has the wisdom to apply knowledge and understanding to his life
• can communicate his thoughts, and
• never quits learning.

Your educational philosophy will guide your methods in educating your family. There is no single method for achieving a good education. Certainly, formal schooling can have a place in my educational philosophy. But it is not necessary.

You don’t need a lot of money to achieve these goals. It mainly requires time and opportunity. But time and opportunity aren’t free. It costs to provide both. Your educational philosophy will direct how family funds will be used to provide the time and opportunity for education.

2. Decide Who Will Administer the Funding of Family Education

If you set up a multigenerational fund for educating your family, you will need to designate someone to decide how it is spent. In the Bonner & Partners Family Office model, this task falls to the family council. Any family member who wants funds for their education must submit an application to the family council.

In the absence of a family council, the trustees of the fund you set up will be the ones making the decisions. But leaving the decisions to the trustees could create problems.

Many times, the trustee of a trust is a single family member. Problems could arise if that family member has a different educational philosophy than other family members. He may be tempted to restrict funds to only educational methods approved by him.

Some trusts use professional trustees such as banks or trust companies. Professional trustees like clear guidelines in making distributions. That is why most trusts drafted today define education in terms of educational institutions. Here is a typical definition:

“Education” shall include private elementary and secondary school, undergraduate college, post-graduate studies, professional schools and accredited training schools, and both full- and part-time study, and shall include tuition, room and board, fees, and books (and a reasonable amount of spending money, if that is not, in effect, being provided from some other source).

Trustees can’t be sued for paying for tuition, books, and room and board. But they might hesitate at distributing funds for “non-traditional” education.

These concerns can be overcome by appointing an advisory council made up of family members who will make the decisions on educational distributions based on your family’s educational philosophy.

3. Write Out Guidelines for Funding Education

The people tasked with administrating your family education fund will need written guidelines. Otherwise, they will have sole discretion on who gets what funding. If a fund is set up as a trust, the guidelines must be put into the trust agreement.

The guidelines should implement your family educational philosophy.

The Bonner & Partners Family Office model doesn’t directly define education. Instead, the family council is limited to making distributions only to family members who are “engaged in productive behavior,” which includes obtaining an education.

This allows the family council to decide if a particular method of education is a productive activity. It also allows the family to distribute funds for other productive activities such as starting a business or pursuing philanthropy.
This way of handling education is also flexible enough to adapt to changing trends. The family council is not locked into using funds for traditional schooling.

When formulating your guidelines, you should give the people making distributions the ability to decide what activities would be acceptable under your educational philosophy. You can list certain activities that you consider acceptable. Here are a few ideas:

- Provide seed money to a young entrepreneur – who may lose it all in a business failure.
- Fund a trip abroad to learn another culture and language.
- Pay expenses allowing a young adult to learn a valuable skill. Two of my sons taught themselves to program. It takes a lot of time to learn what you need to become proficient. I gave them food and lodging so they could focus on developing a valuable skill.
- Apprenticeship. You might need to subsidize a child while they are undertaking an apprenticeship.
- Pay for a parent to stay at home to educate the kids.
- Alternative learning, including instruction delivered by technology.

4. Set Up Funding Sources

After you create guidelines for distributing funds for education, you need to fund your education plan.

Next month, I will give you strategies to fund your family's education, including some tax-saving methods.

Editor's Note

If you have any questions for Eric, you can email him directly at eric@ericmarshallattorney.com.

KEEP READING: DOUBLE YOUR MONEY IN AS LITTLE AS TWELVE MONTHS IN THIS CARIBBEAN PARADISE
I’ve been to Belize before – many times, in fact. And I like it. Despite being a tiny country sandwiched between Mexico and Guatemala with a population of just 368,000, it’s got diverse landscapes and destinations. The people are friendly and welcoming. And because it’s a former British colony, the official language is English; the legal system is based on English common law, too.

When I made my first trip in 2005, I headed to Belize’s most famous tourist locale, Ambergris Caye, an island off the northeast coast.

But developers began to scramble to build anything they could sell there. Sprawling blocks of ugly condos went up right next to the beach. The style or visual appeal didn’t matter. All that counted was building – and selling – fast. When I visited again in 2009, the shine was gone from the once idyllic island. It had rapidly become overdeveloped and overpriced.

For a time, Belize dropped down my radar.

But Placencia on the Caribbean coast kept bubbling up again and again. It was on my list for firsthand scouting. But there was always a trip or an opportunity that seemed more urgent. I focused on other markets with more upside potential.

Then, late last year, my contact, Boris Mannsfeld, came to meet me in Playa del Carmen, Mexico. Boris is a long-term contact based in Placencia. He updated me on the fast-accelerating pace of the Path of Progress that’s sweeping down the peninsula – infrastructure improvements and more people, resorts, money, and tourists. And because Placencia is a peninsula, this surge of people and investment is chasing the same scarce beach and waterfront land.

Add to that the “overlooked and undervalued” deals in which I saw the potential to double your money and my decision was made: I moved Placencia straight to the top of my scouting list.

Off-the-Radar Caribbean Beauty

I’d heard Placencia was attractive... but it was more stunning than I’d even imagined. This was my first time in Placencia – the name given both to the town and the peninsula it’s found on. It’s an idyllic Caribbean destination, a 16-mile-long peninsula that’s only 300 feet across at its narrowest point. It has the feel of a Caribbean island – that really laid-back, swaying-palm-trees vibe.

On the west side of the peninsula, there’s a lagoon, with the Maya Mountains as a backdrop. The Caribbean Sea and miles of white-sand beach lie on the east side. A string of uninhabited islands crouch along the horizon to the east.

Stop for lunch at a little beachside bistro and you’ll pick from a menu that includes lobster tail and coconut shrimp. Your view from the terrace is of white sand, clear blue sea, and palm trees. If I had to paint you a picture of the quintessential Caribbean, this would be the place.

But despite how magnificent this peninsula is, it’s largely stayed off the radar. Placencia has escaped the attentions of big business. There are no major hotel brands... no
shopping malls... no branded coffee shops. It’s kept its slow and sleepy Caribbean charm. That suits the expats and vacationers who come here. They tend to be low-key and adventurous.

Placencia isn’t a place for an all-inclusive experience, where you lie on a lounger in a brand-name resort, sun tanning and drinking cocktails. People come here for outdoor activities. They go sport fishing, kayaking, snorkeling, and diving. They hike or horseback ride in the mountains or explore Mayan ruins. They take wildlife tours to spot jaguars, macaws, and anteaters.

Boating is a big attraction here, too. I lost track of the number of docks and little marinas and boat slips. The lagoon’s calm waters are ideal for mooring boats. It’s pretty, charming, unique... and set for a major upward trajectory...

In 2011, the last section of the road to Placencia was paved. That’s a game changer for this area. It’s now only three hours from the international airport in Belize City.

Some of Placencia’s pioneering visitors built beach homes here. Others started businesses – restaurants, guesthouses, and boutique hotels. Well-known film director, producer, and screenwriter Francis Ford Coppola built an upscale eco-lodge on the peninsula. And small residential communities started popping up. But it was still low-key, low-rise, and small-scale development.

How Placencia Developed

In most of the country, accommodation consists of small and boutique hotels or owner-operated, no-frills guesthouses. That’s where Placencia’s greatest opportunity lies...

Tourist numbers in Belize hit an estimated 1.4 million in 2016. That’s almost four tourists for every Belizean. On looks and charm alone, Placencia should already be a prime tourist destination. Up until the crisis in North America in 2008, it was starting to take off. That crisis put a stop to it for a few years... but now, Placencia is back on its way to where it was headed before the crisis.

Because of the historical access challenges in Placencia and the lack of developable land, the peninsula has developed in a different way than better-known destinations in Belize. Unlike, for example, Ambergris Caye, in Placencia, things moved at a slower pace.

The communities built here were small in scale. But there was nothing small about the price tags. Buyers – largely North Americans – paid $400,000 to $500,000 for a typical condo on the beach side of the peninsula. The condos were large and luxurious.

Things were ticking along nicely for Placencia’s real estate sales, even at that high price point. But then, it hit a small speedbump. Just as the market was starting to take off in Placencia, the North American economic slowdown and credit crunch hit in 2007/2008. Buyers dried up. The real estate market in Placencia stopped in its tracks.

From there, the market softened. List prices were much more negotiable and dropped by up to 20% in some cases. There wasn’t a crash, though. Placencia never became a crisis market. The typical buyer and developer here was well-funded. This was a cash market; foreign buyers had no access to bank finance in Belize. So there wasn’t a wave of foreclosures.

Today, you’re not likely to buy at crisis pricing from a motivated seller. Much of the real estate in Placencia is priced at market value.

Three Ways to Play This Market for Big Profit

My contact, Boris, started visiting Placencia back in 1992. Then, in 2006, he decided to move down here full time with his family. And he’s invested in and built his own projects here. From what Boris showed me, I’ve identified three ways to buy here now to profit. All of them involve buying something that’s overlooked and undervalued.

1. Multi-Unit Rentals

The growing tourist and snowbird market is creating a demand for multi-unit rentals, by the day, week, and month. And there’s a robust local market from the hotel managers, bank managers, and other professionals who live here. This is the play that has the biggest entry point – but it’s the one where a smart investor could see some of the biggest profit potential.

You’re looking at about $400,000 and up to get in on this. There is a seriously strong rental market. Short-term, you could rent a condo or home for $250 to $1,000 a night. Long-term, it’s possible to rent a condo or home for $700 to $2,000 a month. And demand is high.
If you’re looking to get into the rentals game, there are some big plus points in favor of Placencia:

• As I mentioned already, there are no big-brand hotels on the peninsula. That means less competition from the big names with deep pockets who can cut rates until they squeeze you out.
• There’s a lack of developable land. The peninsula is small. Future supply is therefore limited.
• And there's a high barrier to entry. For a condo, you’re looking at spending $400,000 to $500,000. At an entry price that high, your yield will be good but nothing to write home about.

But if you can buy well and tap into this rental market without paying top-dollar prices, your rental yield is supercharged.

This isn’t a “shooting fish in a barrel” location. The entry cost for market-value property here is high. But that works in an investor’s favor as it cuts out a lot of potential competition from those who simply don’t have the funds to buy in.

While I was in Placencia, Boris showed me around a couple of multi-unit rentals where you could make serious income from all of those potential renters.

The first was in downtown Placencia Village, right at the tip of the peninsula. It’s a great central location. Good eateries, bars, and grocery stores are in walking distance, as is the beach.

This is an established rental property. The property has five brightly colored buildings, with a total of 11 rental units. It has great reviews from guests on TripAdvisor. The units are kitted out to suit North American tastes, with air conditioning, cable TV, fully equipped kitchens or kitchenettes, and Wi-Fi throughout. They rent by the night, week, or month. The list price was $825,000.

It had just sold for $750,000 before I arrived. Gross, the rental yield on this multi-unit property is about 16%. After costs, the annual profit runs around $100,000 – very impressive.

And there was also the potential to add some more units – the new owner could easily increase his return. And at last check, the other multi-unit rental deal I looked at is still for sale.

It’s also in a good location, although not quite in the heart of the village. It’s still only a short walk to eateries and stores, but it’s in a quiet residential area. There are six buildings, with eight rental units in total. These are a mix of furnished studios, casitas, and one- and two-bedroom units on a piece of waterfront land. A couple of tenants were relaxing there when I checked it out, rocking in hammocks in the sea breeze.

There are a couple of options with this one. The land is split into two separate waterfront lots. You can buy them individually. One lot comes with five buildings and is listed at $450,000; the other has one building (with a studio on the ground floor and a one-bedroom apartment upstairs) listed at $299,000. Both lots with all the buildings are listed at $749,000.

It has future development potential. You could build cabins... or everything could be cleared and you could build a condo building there. The current owner is renting the units long-term. He admits this is because he’s too busy to rent them short-term – he has neither the time nor the resources.

As they stand, the units are generating income of around $4,000 a month – $48,000 a year. I think you could up this easily by giving the units a bit of a makeover and renting them short-term – and by adding those cabins or building a new condo building.

This one isn’t a hands-off type of investment. You’d need to roll up your sleeves and get stuck in. It would be ideal for someone who wanted to live on site in one of the units and rent the rest out. Done right, you could make a strong rental return on this buy.

2. Foreclosure Properties

The second way to profit in Placencia is to buy a foreclosure property directly from the bank. These are few and far between. As mentioned, foreign buyers here tend to be well-funded and not reliant on Belizean bank loans. So this kind of opportunity tends to involve properties repossessed from Belizeans. It can take quite a while for the bank to write off the property as a bad debt and price it attractively.

But Boris is well-connected and gets word as soon as the bank writes off a property. He showed me a small project of 51 lots he’d just been told about. A developer
had gotten his permits and started putting in the infrastructure but only sold two lots before the bank foreclosed on him.

The land runs from the main road through the peninsula to the lagoon. The bank has unofficially said it wants an offer around $600,000 for the land. Boris reckons it would take another $500,000 or so to finish the infrastructure. You would then have 29 lots that would sell for up to $100,000 each. You’re into this deal for about $40,000 per lot – but you sell for $100,000. That’s a buy where you could more than double your money in just one year.

3. Condos Under $350,000

The third way to profit in Placencia is in a completely untapped market. As I write, a typical condo lists for $400,000 to $500,000. There’s little under that value. There’s a huge gap in the market for condos priced below $350,000. And if you could get condos in a good location for under $200,000... in a market like this with strong rental potential... it would be a killer deal.

This is an opportunity I’m working on. More than working on, actually. I’ve seen plans. It’s the type of project/members-only price mix that had me pinching myself. This is a deal I’m excited about. And one I’m looking forward to bringing to members of Real Estate Trend Alert.

As soon as the plans are finalized and permits are in place for this deal, members of my little group will be the first to hear about it and be in a position to avail of the special members-only pricing I negotiate.

Editor’s Note

Ronan McMahon is editor of Real Estate Trend Alert and executive director of Pathfinder (International Living’s preferred real estate advertising partner). Ronan travels the world following real estate trends with the potential for profit.

Ronan will give the full details of the deal he is working on in Placencia to members of his Real Estate Trend Alert group. To make sure you’re one of the first to hear about this deal, click here for more info on how you can sign up for Real Estate Trend Alert.
Publications Since Your Last Strategic Review Issue

**The Bill Bonner Letter**
- **April 2017 Issue** – Donald Trump and the New American Dollar (Mar. 22)
- **State of the World** – Second-Quarter Podcast (Apr. 7)

**Bill’s Book Club**
- **April 2017 Issue** – Age of Senility (Apr. 12)

**Bonner Private Portfolio**
- **March 2017 Issue** – We’re Buying the Amazon of Online Brokers (Apr. 5)
- **Bonner Family Gold Portfolio Update** – All Our Positions Are Still Buys (Apr. 11)
- **Portfolio**

**Focus**
- **March 2017 Issue** – The Last Free Lunch on Wall Street (Mar. 23)
- **April 2017 Issue** – This Luxury E-Tailer Makes a Sale Every Four Seconds… And It’s Just Getting Started (Apr.18)
- **Portfolio**

**Exponential Tech Investor**
- **March 2017 Issue** – A Crystal Clear Investment Opportunity (Mar. 20)
- **An Important Update on Akoustis (AKTS)** (Mar. 24)
- **April 2017 Issue** – This Sci-Fi Technology Will Become the New Reality (Apr. 17)
- **Portfolio**

**Four Point Trader**
- **Another Perfect Month in March** (Mar. 20)
- **The Return of Volatility** (Mar. 27)
- **Get Ready for May Trades** (Apr. 3)
- **Trade Alert**: Reliance Steel & Aluminum (RS) (Apr. 3)
- **Trade Alert**: Applied Materials (AMAT) (Apr. 4)
- **Trade Alert**: PulteGroup (PHM) (Apr. 5)
- **Trade Alert**: VanEck Vectors Oil Services ETF (OIH) (Apr. 7)
- **Trade Alert**: iShares 20+ Year Treasury Bond ETF (TLT) (Apr. 10)
- **Get Ready for May Expiration Recommendations** (Apr. 10)
- **We’re Nearing April Options Expiration** (Apr. 17)
- **Trade Alert**: Goldman Sachs (GS) Trade Alert (Apr. 18)
- **Portfolio** (updated daily)
- **Four Point Trader Survey**

**INNER CIRCLE**
- **More Upside Than Gold** (Apr. 14)
- **The Future of Crime** (Apr. 7)
- **What If It Really Is “Morning Again in America”?** (Mar. 31)
- **Ready for the “Digital Slaughterhouse”?** (Mar. 24)
- **The “Bitcoin Age” Has Now Begun** (Mar. 17)

**Bill Bonner’s Diary**
- **Bill Bonner’s Diary** (Archive)
Meet the Team

Will Bonner, Executive Director, Bonner & Partners Family Office
Will is the eldest of Bill’s six children. He has been with the family business for almost all of his working life. Will opened Agora’s Argentina office in Buenos Aires and launched Agora’s first foray into the Spanish-speaking investment advisory market. He founded Bonner & Partners in 2009 with Bill. He is the executive director of Bonner & Partners Family Office and writes regularly about family governance and the Bonner family’s experiences setting up its family office.

Ronan McMahon, Real Estate Investing Strategic Partner
A finance graduate, Ronan McMahon joined Agora’s International Living as real estate marketing director in January 2004. Ronan has been an active real estate investor since his early twenties, and joining International Living gave him the opportunity to marry his personal and professional interests. Five years ago, Ronan took up the position of executive director with Pathfinder, International Living’s preferred real estate advertising partner. Pathfinder searches the globe to find the most unique and value-oriented real estate opportunities. Ronan also writes Real Estate Trend Alert and regularly contributes to Bonner & Partners Family Office members-only publications.

Dr. Joanne Stern, Family Relationships Strategic Partner
Dr. Joanne Stern is a family consultant who helps couples and families resolve conflicts in family relationships and difficult issues. Dr. Stern holds a double master’s degree in counseling psychology and theology from Fuller Theological Seminary and a Ph.D. in human and organizational systems from Fielding Graduate University. She is the author of High Performance Families and Parenting Is a Contact Sport: 8 Ways to Stay Connected to Your Kids for Life. She has taught college-level parenting courses and has been a guest expert on more than 200 radio and TV shows, including Fox & Friends Weekend. She has contributed to Family Circle, Good Housekeeping, and the New York Daily News and writes regularly for several major blogs, including psychologytoday.com.

Joseph McLiney, Family Governance Strategic Partner
Joseph McLiney is president of McLiney and Co., one of the last privately held investment banks in the United States. His family’s bank, founded in 1965, specializes in creating debt instruments for governments and tailoring these fixed-income investments for their high-net-worth clientele. Joseph comes from five generations of investors, bankers, and traders on both sides of his family, dating back more than 150 years, when the U.S. West was considered “frontier investing.” His family has ties to the beginning of the Santa Fe Railway, the St. Louis Board of Trade, and the Kansas City Board of Trade.

Eric Marshall, Tax and Legal Strategic Partner
Eric graduated from Washburn Law School in Topeka, Kansas, in 1993. Before entering law school, he served four years on a U.S. Navy destroyer homeported in Charleston, South Carolina. He was admitted to the Kansas bar in 1993 and the Texas bar in 2008 and is currently licensed by the Supreme Court of Kansas. After law school, he practiced law for 12 years in Greensburg, Kansas. In 2005, he moved to southern Chile with his family, where he lived for two and a half years. Having moved back to the U.S. in 2008, he is now settled in Kansas, where he operates his private law practice. Eric focuses on estate planning, succession planning, and estate and trust administration. Eric is the author of the 24-chapter Bonner & Partners Family Office Blueprint.