

A successful marriage of family and business depends on careful planning and great communication

All in the family

■ BY JADE HEMEON

WHEN SCOTT PLASKETT started out in 1993 as a financial advisor with Allied Financial Services in Toronto, little did he know he was about to meet the person who would become his wife as well as his future partner in an independent financial planning firm.

Catherine Plaskett joined the firm from the banking industry about six months after Scott; there was instant chemistry. When Scott began preparing to launch his own financial planning firm, Catherine was sparked by his creative ideas — and he was attracted by her ability to translate his vision into a concrete plan of action.

Within two years, the pair had combined client bases and joined forces under the umbrella of **Ironshield Financial Planning Inc.** in the west end of Toronto. They married in 1997.

"It's tough to find someone you can rely on absolutely 100%," Catherine says. "We both have a vested interest in a common goal. When we started out, it was stressful as there was no supplementary paycheque coming in, and our livelihoods were tied up together in a young business. But it's been a big thing for our marriage to share in the successes of the business."

For Scott and Catherine, living and working together — as well as traveling, renovating their home, studying for their certified financial planner designations and having children — has made them happy. And lots of family combinations share their enthusiasm, despite the challenges.

"Financial planning is a business in which one can get consumed and absorbed, and leaving the office behind at the end of the day can be a challenge," says Dan Richards, industry consultant and president of **Strategic Imperatives Inc.** "With a spousal or family arrangement, it's even more difficult. There are often enough tensions in a marriage or parent/child relationship, without layering the demands of a work environment on top."

So how is it some families thrive on sharing their business and personal lives while others fail (see sidebar)? It isn't just luck; they have worked hard at it. Here is what they have learned about making family businesses — and relationships — flourish.

COMMUNICATE

Effective communication is crucial to the success of any firm. But in family companies, the quality of commu-

nication can affect not only the business but family dynamics as well.

The Plasketts say the communication methods they learned in business have filtered into their marriage. For example, they've had to practise carefully listening to each other's point of view when they disagree.

"To work together as equals, you must defer to each other from time to time," says Scott. "If one person always wants to be in charge, it would be detrimental to both work and the marriage."

As well, private issues should be kept private, says Joanne Ferguson, consultant and co-founder of **Advisor Pathways** in Stratford, Ont. Quarrelling or having intimate family conversations in front of staff makes them uncomfortable.

Naturally, there will be times when partners are on different sides of the fence, and heated discussions certainly happen in private, says Catherine. "If you can get things out in the open, they are less likely to linger," she says. "You can't run a business in which two people are moping around for a week over an argument."

Father-and-son team Mark and Al Pearlstein, who have formed the Toronto-based **Pearlstein Group** under the umbrella of **RBC Dominion Securities Inc.**, often make a list of critical points

before chatting about an issue, giving a logical approach — rather than an emotional tone — to their discussions.

"We are not yellors and screamers, and fighting doesn't happen," says Mark, vice-president and associate portfolio manager.

MAKE A BUSINESS PLAN

Before setting off together in business life, related partners should be in sync on the business model. Will it be fee-based or commission-based, for example, and what type of clients will be solicited? What are the financial arrangements and how much money will be drawn in compensation vs reinvested in the business?

There should also be a plan for announcing the change to clients, if the family arrangement is something new, and for unwinding it if it doesn't work out. It helps if a new partner is introduced at client seminars and then sits in on joint meetings before taking on clients alone.

"There is a different energy when people are at work, when they're striving and concerned about making a living. And people can function much differently than they do at home," Ferguson says. "If people don't know why they formed a partnership in the first



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place, there's a danger that one person can end up playing a dominating role, while the other may not be respected. It's important to do the research and for there to be a serious commitment on everyone's part."

DECIDE HOW TO MIX BUSINESS AND FAMILY LIFE

It's not always easy to draw the line between business and family life. When partners live and socialize together, there is a danger of talking too much shop at home and business can intrude into family life.

The Plasketts have learned to set limits. They have a rule that they can talk about work only while driving from their office in the city to their home in the country. Once they leave the buzzing highway and turn onto a quieter road, it is time to turn to other topics.

But now that Catherine spends more time working at her home office — they have two young children — the boundaries are a little fuzzier on the timing of work conversations. But the pair has already acquired the habit of keeping business in its place.

"It takes a bit of discipline, but you don't want your married life to turn into one big, long business meeting, and deny the experience of a wonderful personal relationship," Scott says.

Husband-and-wife team Ken and Marian Snowball, owners of **B.C. Partners in Planning Ltd.** in Vancouver, have found that being in business together actually makes raising a family together easier. The two opened an office in West Vancouver in 1995 together with a childhood friend of Marian's, Blair Maclean. Their office is located two blocks from where they live and close to the schools of the couple's four children, aged between six and 12.

"We knew we didn't want to commute, and are able to use the extra time at home," says Marian, a chartered accountant who focuses on clients' taxation issues. Ken does more of the general planning and asset allocation, and Maclean focuses on estate planning, pension and group benefits, and insurance.

"We also have the flexibility to attend the kids' school and sporting events," Marian adds. "If something unexpected comes up, we can decide which one of us will handle it, and it makes it much easier to manage the family. Lifestyle is a priority for us."

Two of the three partners show up at every client meeting so the client doesn't become attached to any one planner. The ability to spell each other off means all three principals have flexibility in their schedules and are free to take on outside activities such as charitable work. Currently, Ken is spending shorter days at the office, working only until 3 p.m. so he can go home early and hold the fort after school.

"Ken and I have been married 20 years, and my friendship with Blair goes back further than my husband," Marian says. "Nobody says 'my client' — it's very much a 'we' thing. It's not about ego, or greed. No one person's career is promoted above anybody else's. If you want a large family and to be involved with them, there's no better way to do it."

At **Al G. Brown & Associates** in Toronto, partner David Brown works closely with his sister and partner, Golda, as well as his father and company founder, Al. The family has a formal written agreement that business operations will not be allowed to erode family life. And although Al singlehandedly launched the insurance and financial planning firm more than 60 years ago, there is no boss/underling hierarchy that puts one family member's priorities ahead of the others'.

"A significant portion of your life is spent

in the office, and if you like your family, it's a great way to spend time with them," David says. "You share in the trials and tribulations, and all the other good things that go on, and it enhances the relationship. The close family bonds also add a sensitivity to the family and intergenerational issues we deal with as financial and estate planning consultants."

Sometimes work attitudes and aptitudes can be assimilated by the next generation in close families. For example, Al and Mark Pearlstein's working relationship actually began when Mark was a young boy sitting in his father's den, watching his father work in the evenings. Gradually, Mark acquired his father's work ethic, and came to understand Al's conservative, value-oriented investment philosophy. Al, who had started as an investment advisor in 1950, was joined by Mark in 1990 after the latter had worked in the banking industry for five years. At 78, Al doesn't put in as many hours as he once did, but the two continue to share the client base and have even arranged the office so their desks are in the same room.

The two men work closely with associate advisor Elaine Martinez and administrative associate Chris Holland, who happen to be sisters.

"Chris and I have a similar dynamic as Mark and Al, in that we're similar but different," Elaine says. "We're not afraid to speak our minds to each other, but we understand each other so well we can finish each other's sentences. There's a high level of comfort and trust."

SPELL OUT THE ROLES

Consultants say one key to making a family business tick is clear differentiation of roles, with each person having decision-making authority in a separate area. The more individual autonomy, the fewer joint decisions are required, and the less potential for conflict there is.

It also helps to set out an organizational chart with each person's responsibilities in writing, as well as to document carefully the company policies and procedures.

That's because accountability happens naturally within a structured environment, says Duncan MacPherson, consultant and co-founder of advisor consultancy **Pareto Systems** of Kelowna, B.C. There is less likelihood one or the other will nag or preach. Client-management systems and records also make it easier to bring new staff up to speed and, ultimately, to sell or transfer the book of business when the time comes.

"A successful advisor is often a strong salesperson, or a maverick talent," MacPherson says. "Without formal procedures and structures, the lack of organization can lead to mistakes and blame. The law of familiarity can take over with a close family member, leading to emotional rather than rational actions, and when things fall through the cracks, it can be costly to the business."

Ferguson suggests that before going into business together, family members and spouses make an inventory of each other's strengths and weaknesses, and use this as a basis to determine what the roles will be.

Sometimes roles will evolve and change as the business grows. Although Scott and Catherine Plaskett started off with their own separate clients, when Catherine's father became ill at one point and she needed to devote time to his care, Scott took over the servicing of her clients while she continued to run the operational and strategic aspects of the business. The Plasketts say the separation of roles and decision-making makes the best use of their respective strengths.

At the Pearlstein Group, Mark and Al han-

dle clients together, but each brings a different perspective. Mark has earned his portfolio manager designation, and brings the perspective of an MBA degree and the systems he learned in the bank. Al, vice-president and senior investment advisor, has garnered 55 years of experience since he started "with an abacus and a slide rule" in 1950, and has seen many market cycles.

Al is involved primarily in portfolio strategy and asset mix decisions, and he "tries to generate three good investment ideas a year." The two do not sell packaged products such as mutual funds or wrap portfolios, but instead put together individually tailored portfolios for clients.

PUT IT IN WRITING

Going into business with a family member can be doubly complicated if a marriage hits the skids or one partner simply wants to pursue other business opportunities.

It's important to make sure the legal issues are taken care of at the beginning. This protects the business and the family life that rides on it, and allows for life changes that could affect the arrangement, including divorce and death.

"The issues when things don't work out for any reason are similar with family members as they would be for business entities of any kind, except for the emotional ramifications," consultant Richards says. "With a typical business relationship, when it's over, it's over. With family, it never goes away."

The appropriate legal structure should be discussed with a lawyer and accountant, and should include a mechanism for any partner to pull the plug and exit. While some advisors rely solely on professional liability insurance for legal protection, forming a corporation can offer tax advantages, different classes of share ownership and limited liability.

The Snowballs and their partner, for example, have a fee-based financial planning business and have formed a corporation in which they each own one-third of the company. Profits are split more or less equally, although adjustments are made according to circumstances, Marian Snowball says. For example, husband Ken is taking a bit less money out now that he's spending less time at the office, and one year the couple took their children to Asia for three months, so that affected their draw. They have an agreement in which, if anyone wants to leave the business, the remaining two partners would be the first in line to buy out that person's shares.

If there were a divorce, they might continue to work together, depending on the circumstances, Marian says. Alternatively, each of their shares in the business would form part of the assets subject to division, and if one person walked away with the business the other would receive assets of equal value.

The Plasketts' business is also incorporated, and to provide an extra layer of protection from creditors, all the shares are held by Scott, while Catherine has the rest of the family assets in her name, including securities and the family cottage. They have enough life insurance for each to carry on the business in the event of the other's death.

There is also a "shotgun clause" in their written business agreement that allows the spouse who receives a purchase offer from the other the chance to buy the business for him- or herself for the same price. If one or the other decides to leave the business but the marriage remains strong, the same ownership arrangement would remain in force, Scott says, although the firm would add staff. The Plasketts have already increased their staff component now that Catherine is spending more time at home with their children.

"It's important to spell out the agreement on paper when things are going well; otherwise, if something goes awry, disentangling can get nasty," Scott says. "The other issue in a family business would be sitting around after a parting of the ways at Thanksgiving dinner, and it might not be much fun at Christmas. Family dynamics add a whole other dimension to the process."

PREPARE FOR SUCCESSION

After working hard to build a business, many people would like to see their creation continue to thrive after they leave. Bringing on a second generation can solve the issue of succession. MacPherson says intergenerational businesses work best when the company founder views his or her role as "passing the torch," and can act as a sounding board rather than "the boss." It can be detrimental when a dominant personality clings stubbornly to methods that led to the original success of the business but which may need updating.

"It's tough for founders to let go, but it's disempowering if they don't, and it leads to resentment," MacPherson says. "Often there is a concern about legacy and keeping the business alive, but if there is not a philosophical fit, passing the business to the next generation will not be in the clients' best interest." ■

CHOOSING ANOTHER PATH

Although the weaknesses in a family or spousal relationship are magnified in a family business, even a strong bond can be put to the test.

Before launching her own Edward Jones location in suburban Toronto, Jo Stadnyk worked for a few months as a financial advisor with her husband Larry, who has an established Edward Jones office in Unionville, Ont. Working as an advisor was a career change for Jo, who had spent many years in marketing roles for financial services companies, and Larry was a mentor in her new business.

There was a lot of mutually beneficial "cross-pollination" because of their different career histories, but Jo found she was putting pressure on herself to keep up with her husband, and the anxiety of starting up in a commission-based business was spilling into her home life.

"We were talking shop at breakfast, lunch and dinner, and I couldn't give it a rest," she says. "If I had a setback, I would agonize over it, and it was difficult to enjoy non-work activities. We could be going for a Sunday drive, and something would twig, and we'd be right back into talking about work."

Stadnyk found some of the stress continued even after she set up her own office in a different neighbourhood. Ultimately, she decided her marriage was more important, and that she preferred a salaried position on the marketing side. But, she says, the experience gave her a new understanding of her husband's business and respect for his accomplishments.

"I remember Larry starting out in the business and knocking on doors to make contacts," she says. "I learned how hard that is, and I have a new level of respect for what he's achieved."