

Money and Meaning

By David Lansky

Pandora's Box

In Greek mythology, Pandora was the first woman on earth. Zeus ordered Hephaestus to create her as vengeance upon man and his benefactor, Prometheus, who had stolen fire from the gods. The gods endowed Pandora with every charm, together with curiosity and deceit. Zeus sent her as a wife to Epimetheus, Prometheus' simple brother, and gave her a box that he forbade her to open. Despite Prometheus' warnings, Epimetheus allowed her to open the box and let out all the evils that have since afflicted man. Hope alone remained inside the box.¹

How often I have heard from clients and advisors alike that pursuing a certain course of action would "open Pandora's box"! As a result, critical planning tasks are often not undertaken, in fear that the result will be the release of "all the evils that have ... afflicted man."

For some time I have been advising a wealthy business family. When I first began to work with this family, they had done almost no estate planning. One son—let's call him Carl—who was active in the family's core business, owned a 25-percent share of that company while his parents owned the rest. The other three children lived out of town, were inactive in the business and had no ownership stake in the family's core business. All of their financial consultants agreed that in the event of the parents' deaths, their children could potentially spend their entire inheritance paying estate taxes.

The family's legal and financial consultants had been trying for years to engage the parents in comprehensive estate planning, with little success. The family's consultants strived to structure an estate plan in which Carl could inherit the family's businesses while his three siblings were left other assets. But for



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years, their estate planning was not completed. Carl was a fabulously successful businessman who endlessly discovered new opportunities for his parents, his friends and his business partners. The most that the financial consultants could do was to establish a number of partnerships in which the siblings who lived out of town acquired a portion of their parents' ownership in new businesses that were spun off the family's core business. As a result, Carl's siblings continued to acquire new ownership interests in companies that they had no hand in creating.

The parents knew what their estate plan should look like. And they knew that whatever planning they did would have an impact on the entire family. But they felt they could not talk directly with their children about any of these issues because they feared this would "open Pandora's box"—Carl would say how angry he was with his siblings because they benefited from his success and hard work and showed no gratitude to him; his siblings would reveal their anger at Carl because they felt he flaunted his success in their faces; they would all be unhappy with the plan, no matter what its final form. But in prohibiting direct communication, the parents could not get around to a discussion of who should profit from the businesses and how. This is what held up their estate planning.

As I began to advise the family, I learned how their stalled planning was affected by fears of opening Pandora's box. I learned also that the children were far more resilient, rational and generous than the parents had realized. *Indeed, it is not unusual for the fear of "opening Pandora's box" to be much more threatening than the reality of doing so.* I realized that the family needed to discuss these issues in order to get on with their estate planning. We therefore devised a process to begin the conversations that the parents so feared. The result was a positive and constructive experience for the family, and today the parents are on their way to creating a sensible estate plan.

Other families that I have advised have voiced fears that "Pandora's box" would be opened by discussions, among other things, of:

- *succession planning*—"We'll open Pandora's box" and "destroy the family" if we discuss the fact that one sibling is better prepared to lead the family than another; and
- *family branch conflicts*—"The resentment has existed for years," but "we'll open Pandora's box and destroy the business if we discuss it openly."

Why are families so fearful, even when they know that having these discussions with each other and

with an advisor could be essential for the financial well being of the entire family? What makes this a truly ironic dilemma is that in my experience, and in the experience of others I know who do this work, *in the majority of cases "opening Pandora's box," when properly done, has had overwhelmingly positive results.*

While there are many reasons for this ironic dilemma, I will discuss three:

Advisors' Personal Views

Not all advisors are prepared to encourage the kind of communication that may be necessary for some families. As I mentioned earlier, advisors themselves may fear "opening Pandora's box," either because they have had their own personally unpleasant experiences, or because they feel that they are in over their heads when it comes to this kind of action. In addition, financial advisors who have limited experience in this area may think that these conversations are tantamount to therapy sessions, and their models of therapy may comprise yelling, screaming and dredging up every hurt that has ever taken place in the family. Needless to say, that's not the way it needs to be, nor is this how it should be.

Family History of Communication

Many families that I advise have previously attempted to communicate about their difficult issues—it wasn't *always* a case of opening Pandora's box. However, repeated experiences of failure in this regard make the undertaking increasingly threatening. They don't understand that beginning anew with a professional who is proficient in managing these communications, will likely result in a different outcome.

The Nature of Decision Making

Research on "loss aversion"² illustrates that people make decisions to minimize the risk of losing, even if in so doing the possibility of a more significant gain is minimized as well. In an example described by Cassidy in his *NEW YORKER* article, if you present people with a 50-50 chance of losing \$100 or winning \$150, most refuse the gamble, even though it is to their advantage to accept it: if you multiply the odds of winning—50 percent—times \$150, minus the odds of losing—also 50 percent—times \$100, you

end up with a gain of \$25. If you accepted this bet 10 times in a row, you could expect to gain \$250. Most people will only accept the gamble when the winning stake is raised to \$200. This would seem clearly to apply to estate planning and Pandora's box: unless the potential *gain* in well-being is very significant, families are unlikely to engage in actions that may risk some *loss* of well being.

These observations suggest a number of strategies for assisting families whose failure to plan is due to a fear of "opening Pandora's box":

- Advisors need to clarify and resolve their own feelings about "opening Pandora's box."
- Advisors should seek out other professionals who can facilitate effective family communication that does not result in "Primal Scream Therapy."
- Guidelines for effectively addressing these issues should include having a constructive and positive vision for what you want to accomplish; being committed to improving the future, rather than

rehashing the past; and following other suggestions that I have made available by request in a document entitled "Ground Rules for Family Meetings."

- Families should be told clearly that in competent hands difficult discussions usually do not end up in the release of "all the evils that have ... afflicted man."
- The potential gains of open communication should be emphasized and contrasted with the minimal risk of losses, when competently managed.

In the Pandora myth, after all the evils have been released, Hope remained. Families and their advisors should remember this.

ENDNOTES

- ¹ From The Columbia Electronic Encyclopedia Copyright ©2004, Columbia University Press.
- ² Some of which is reviewed by John Cassidy, in *Mind Games*, THE NEW YORKER, Sept. 18, 2006.

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