

# MEETING THE NEEDS OF MODERN FAMILIES



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A report highlighting the need for advisors and legislators to adapt and modernise in order to keep up with the needs of today's families.



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## About STEP

STEP is the worldwide professional association for those advising families across generations. We promote best practice, professional integrity and education to our members. Our members help families plan for their futures: from drafting a will or advising family businesses, to helping international families and protecting vulnerable family members.



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Local knowledge

## About TMF Group

TMF Group is a leading provider of critical administrative services, helping clients invest and operate safely around the world. It provides legal, financial and employee administration through its teams in 120 offices, in jurisdictions covering more than 92% of world GDP and 95% of FDI inflow. TMF Group serves corporates, financial institutions, asset managers, private equity and real estate investors, and family offices. Its clients include more than 60% of the Fortune Global 500 and FTSE 100, and almost half the top 300 private equity firms.

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# EXECUTIVE SUMMARY

**Modern families can often be complicated families: they can be challenging, diverse, intricate, and all over the map – often literally – and their needs are equally complex. Identifying and navigating their needs requires expertise and collaboration across borders, cultures and professions.**

STEP has undertaken a research project, kindly sponsored by TMF Group, to gather insight about the families that STEP members advise and what their wealth and succession planning needs are. It **identifies the key complexities and constraints** currently facing families and their advisors. The aim is to understand and highlight the common themes facing families in this area and where STEP can focus its future work to address any issues identified.

A survey sent to STEP members globally elicited **more than 600 responses** from a range of practitioners across the estate and wealth planning sectors. The results provide valuable insight into the experiences of practitioners and the makeup of the families they advise across multiple jurisdictions.

Families are evolving fast, no longer constrained by creed or culture, gender or geography. In this report, STEP calls on advisors and legislators globally to adapt and modernise in order to **keep up with the needs of today's families**.

## KEY FINDINGS:

### 1 Families are changing, with 'blended families' on the rise.

Over the past ten years respondents have seen significant changes to families. Significant numbers of respondents have seen an increase in multi-jurisdictional families (78%); cohabiting families (73%); mixed-ethnicity families (61%); same-sex relationships (54%); and non-biological children (51%). 'Blended families' are now commonplace, with 96% of respondents now advising this type of family and three-quarters seeing an increase in the number of blended families they work with over the last ten years.

### 2 Complexity is often leading to conflict.

From generational and cultural conflict within the family to cross-border legal and tax conflicts resulting from differences across jurisdictions, antiquated legislation and out-of-date language in wills and trust deeds, respondents are increasingly seeing disagreement, breakdown in family relationships and litigation as a result of the complexity of modern families.

### 3 New family constructs and dynamics are driving demand.

The increase in complexities and potential for conflict associated with the modern family has resulted in increasing demand for advisors and their services. Tax advice, trusts, global/cross jurisdictional services and family governance advice in particular have all seen increased demand and succession planning tops the list of issues on which clients seek advice.

### 4 One size doesn't fit all.

There is no longer a one-size-fits-all approach to meeting families' needs. Traditional structures need to be reviewed in light of new family constructs and the marked trend towards 'global families' that are increasingly living and working in different jurisdictions. Advisors are having to recalibrate their approach and ensure a joined-up approach, collaborating with other advisors across borders and professions to ensure the needs of the family are met and embracing a broader skillset to support increasingly complex family dynamics.

### 5 Communication and early planning is essential.

Respondents overwhelmingly identified the importance of good communication – particularly within families, with early and open conversations about planning and succession – as the key factor for families.

## ADDRESSING THE CHALLENGES

Navigating family politics is always difficult, but it has become even more of a challenge to advise the modern family as **new generational perspectives are emerging**. Identifying the current and relevant issues requires expertise on the part of the advisor and collaboration across borders, cultures and professions in order to ensure that families are getting the right advice.

STEP recognises the need to engage with families and governments globally in order to produce industry solutions and best practices that will help families plan for their futures with certainty and clarity.

### **We recommend the following actions for legislators, families and advisors.**

#### **For legislators:**

Legislators urgently need to:

- Review legislation around cohabitation rights in relation to cohabiting couples, siblings and those in platonic relationships across various jurisdictions. The existing legislation appears to be lacking, inconsistent or discriminatory.
- Revisit the legal definitions of family members, particularly the legal definitions of children and the differing rights of those children, and the current discrepancies in the law.
- Examine the inconsistencies and deficiencies relating to the creation, recognition and enforcement of protective measures (such as powers of attorney) to enable clearer and more efficient planning for incapacity.
- Identify some of the more challenging tax-related issues that advisors face now that multigenerational families are more commonly living together across various jurisdictions and cultures.

#### **For advisors:**

- Advisors need to ensure flexibility in creating family structures and stress test these by running through different potential scenarios, avoiding overly complicated structures that can result in contentious circumstances.
- With the growth in multi-jurisdictional families, advisors need to ensure they understand cultural and legal differences between the jurisdictions, especially with regard to the nature of a family.
- The diversity and complexity of modern families requires bespoke planning to meet each family's needs and, where appropriate, collaboration with other professionals locally and internationally to help the family achieve their objectives.
- Advisors must have an all-round skill set, beyond the technical skills and expertise that have traditionally been required, honing their soft skills specifically to better support the increasingly complex family dynamics highlighted in the survey.

#### **For families:**

- Clear, early and ongoing communication within and between the family and its advisors is more essential than ever, given the increased complexities within families.
- Early planning within the family and the family business regarding succession is crucial in avoiding conflict and difficulties further down the line.
- Family dynamics and relationships need as much care and consideration as legal and tax planning.
- Families and their advisors should regularly revisit wills, trusts and other documents to ensure they are up to date and reflect their intentions.

# ABOUT THE SURVEY

## OBJECTIVES

The survey focused on **exploring the issues around the modern family across multiple jurisdictions** in order to identify the key complexities currently facing families and their advisors. The survey addressed current queries such as what today's family looks like and what the main trends and impacts are for practitioners advising the modern family.

The main objective was to **identify any issues** and subsequently help estate practitioners navigate the risks and restrictions in relation to these and advising the modern family. This survey provides a benchmark of practitioner experiences assisting and advising a broad range of families and circumstances across the world.

## KEY TERMS

For the purposes of this survey and report, we used the following definitions.

- **Traditional family:** Married heterosexual couple with biological child/children.
- **Blended family:** Family unit where one or both parents have children from a previous relationship and they have combined to form a new family.
- **Cohabiting families:** A family unit where the parents live together without being legally married or in a civil partnership.
- **Multi-jurisdictional families:** A family unit that is spread out globally, residing and holding assets in different jurisdictions.
- **Multi-ethnicity families:** A family unit that combines different ethnicities and cultures.



## RESPONDENTS

The survey had 613 total respondents across multiple jurisdictions.

### Respondents by profession

Lawyer / solicitor / attorney / barrister	40.78%
Tax advisor / accountant	15.66%
Wealth manager / investment advisor / banker	9.62%
Compliance officer/manager	1.47%
Family business advisor	4.89%
Company director	1.79%
Trustee	7.01%
Trust officer/manager	7.99%
Notary	0.49%
Will writer	2.45%
Tech advisor / Service provider	0.98%
Other	6.2%

### Respondents by location

Asia	6.67%
Australasia	5.5%
Africa	1.83%
Canada	14.66%
Caribbean	3.67%
Continental Europe and Mediterranean IFCs	14.17%
Crown Dependencies	4.67%
Middle East	1.5%
South America	5%
UK and Ireland	37%
US	5.33%

### Geographic focus of respondents' client base

(NB: respondents could select more than one)

Global	27.09%
Asia	8.7%
Australasia	6.52%
Africa	2.68%
Canada	16.22%
Caribbean	2.51%
Continental Europe and Mediterranean IFCs	10.7%
Crown Dependencies	2.68%
Middle East	5.02%
South America	6.86%
UK and Ireland	36.96%
US	7.69%

# KEY FINDINGS

1

## Families are changing, with ‘blended families’ on the rise.

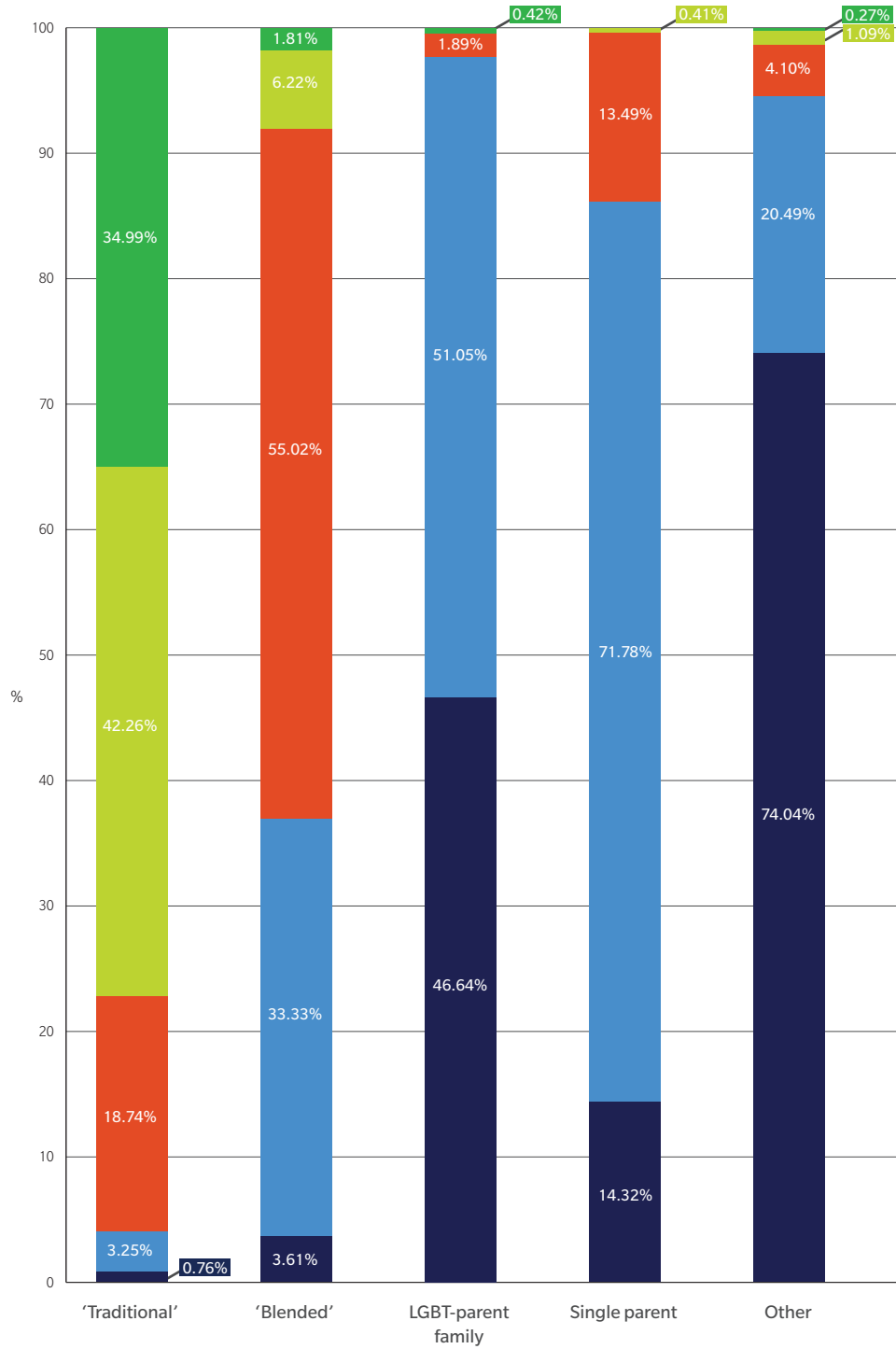
Over the past ten years, respondents have seen significant changes to families.

Although all respondents continue to advise what some may call ‘traditional families’, it is interesting to see how prevalent the ‘blended family’ has become, with 96% of respondents now advising this type of family – 63% indicating they make up a meaningful proportion or in some cases the majority of the families they advise – and three quarters noting that they have seen **an increase in the number of blended families they work with** over the last ten years.

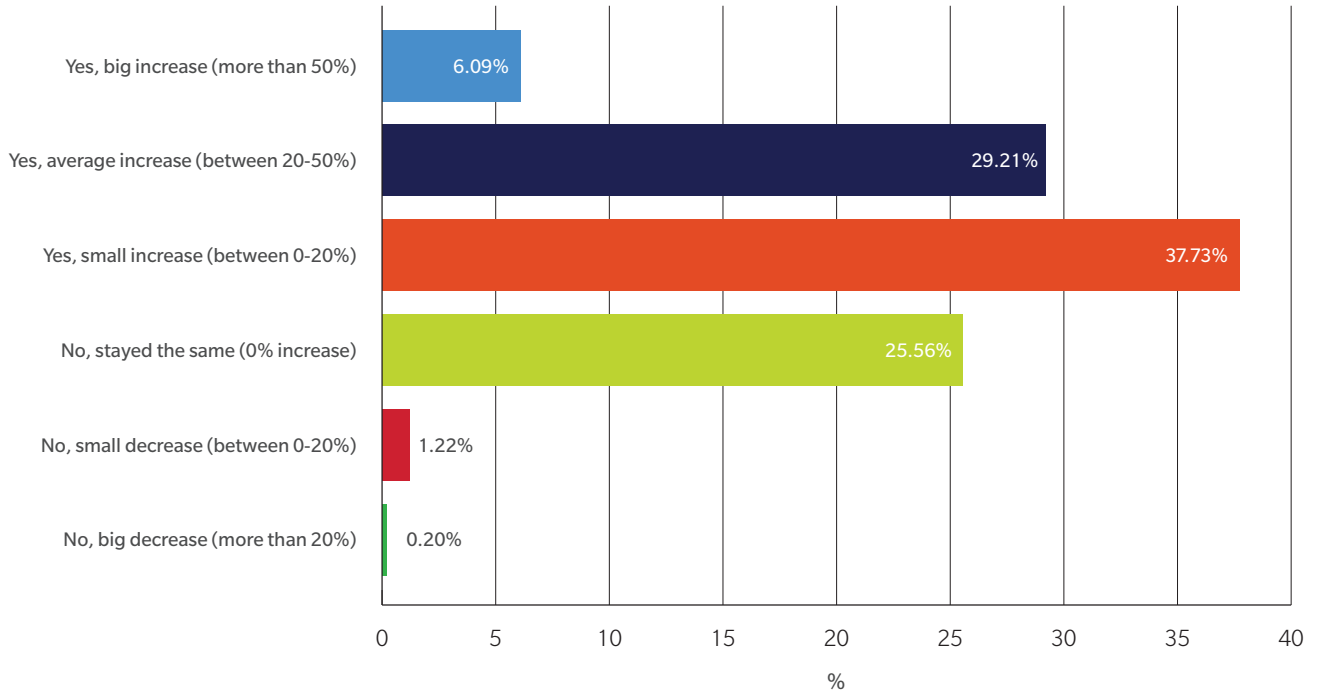


5. Roughly what proportion of the families that you advise would you describe in the following way?

- None
- A small proportion
- A meaningful proportion
- The majority
- The vast majority



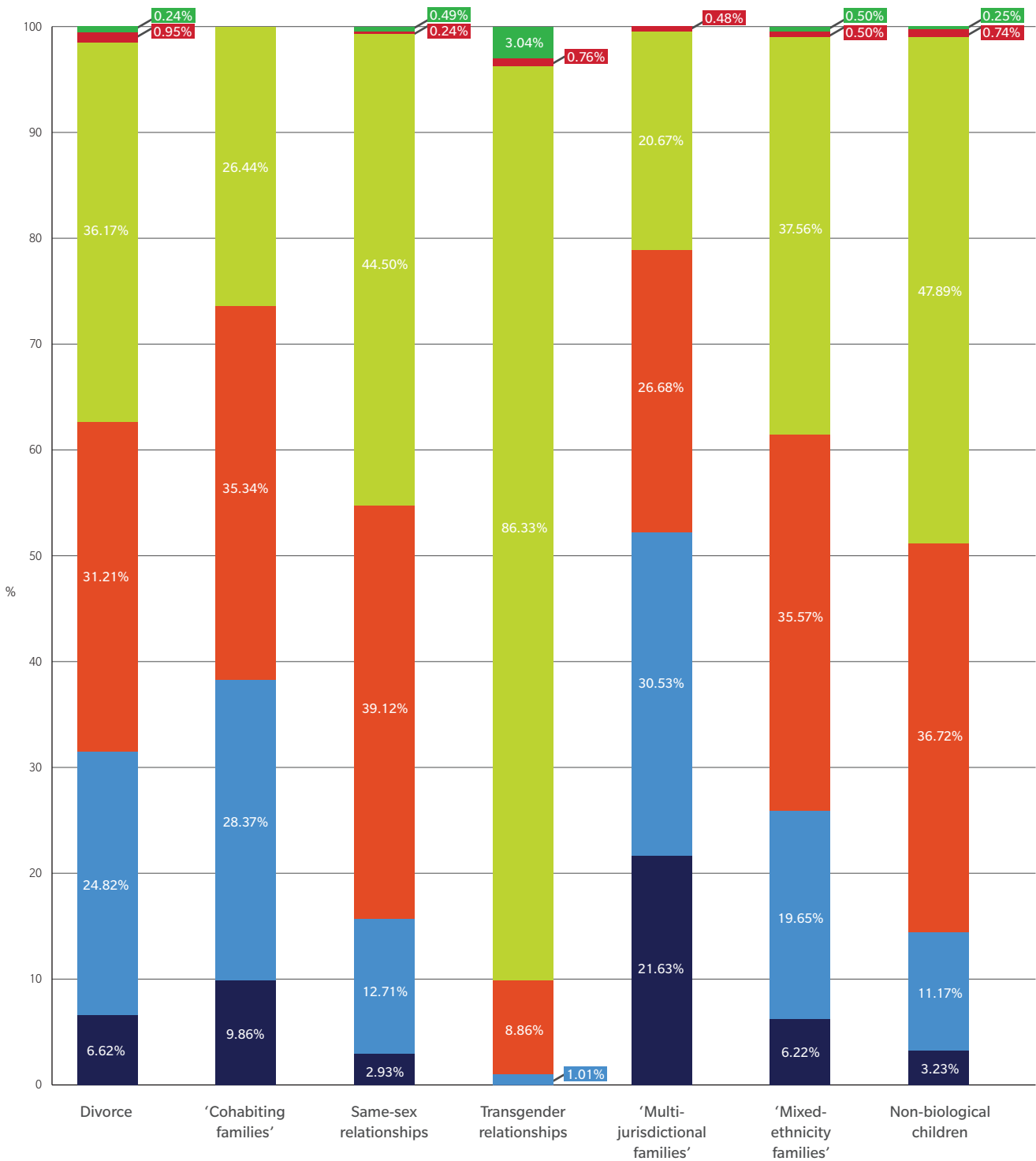
7. Has the percentage of blended families you work with changed over the last ten years?



Blended families are not the only change that respondents are seeing, however. Significant numbers of respondents have seen **increases in multi-jurisdictional families (78%); cohabiting families (73%); divorce (63%); mixed-ethnicity families (61%); non-biological children (51%); and same-sex relationships (55%)**. Although a smaller number, it is perhaps also significant that 10% have seen an increase in transgender relationships.

10. Considering the families you advise, over the past ten years have you seen an increase in any of the following?

- Yes - big increase
- Yes - average increase
- Yes - small increase
- No - stayed same
- No - small decrease
- No - big decrease



2

## Complexity is often leading to conflict

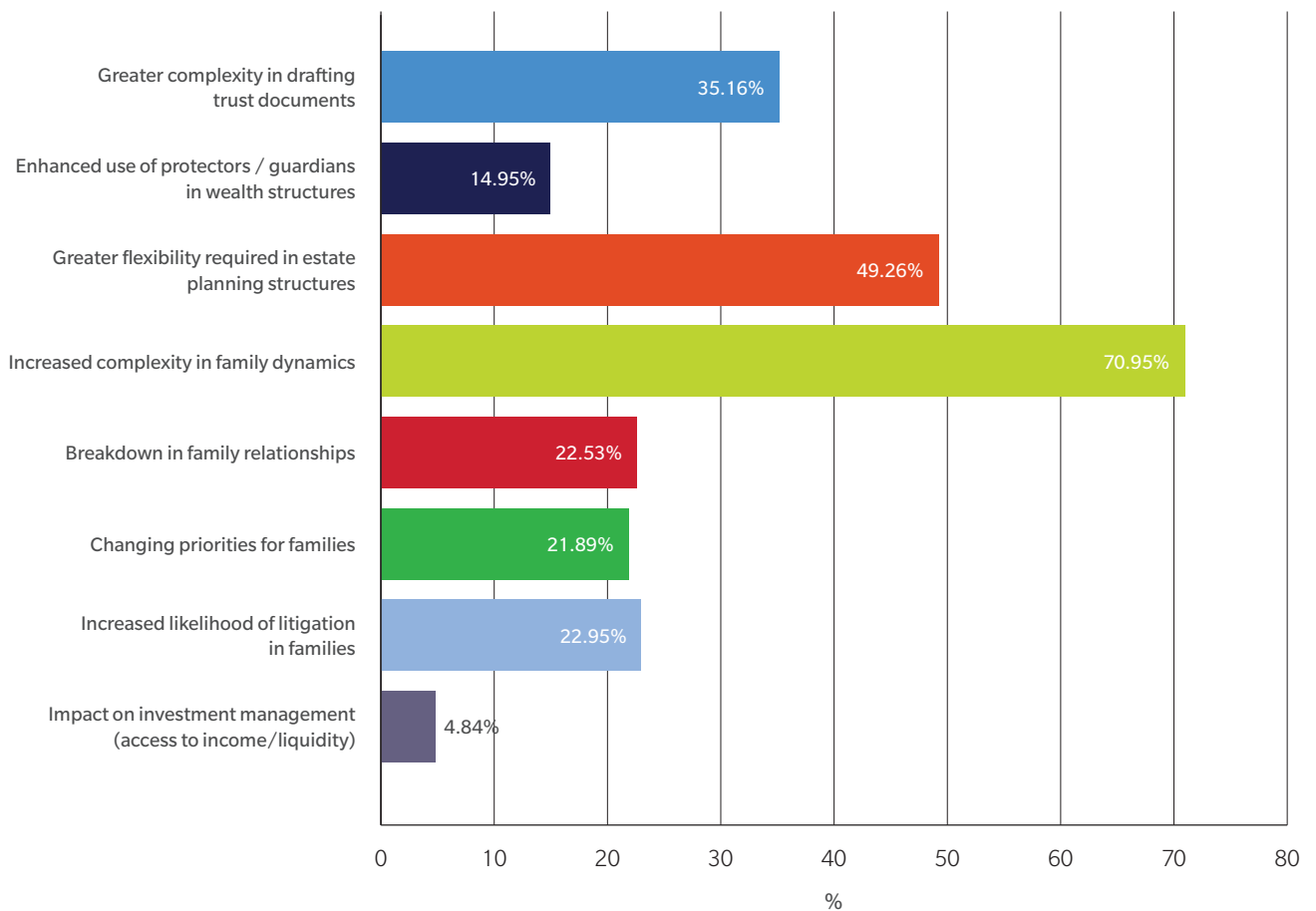
The changes to families, as highlighted in the previous section, bring increased complexity, and this is often leading to conflict.

From generational conflict within the family to conflicts resulting from differences across jurisdictions, respondents are increasingly seeing disagreement, breakdown in family relationships and litigation as a result of the complexity of modern families.

Specifically as a result of the increase in blended families, **71% of respondents see the increased complexity in family dynamics as a challenge**, and almost a quarter see them resulting in increased likelihood of litigation or a breakdown in family relationships.

Why? **Respondents highlight the difficulty of accommodating everyone’s needs**; competing/ differing interests and views between generations and/or as a result of different cultural perspectives; distrust and difficult relationships between prior and current members of the family; and as one respondent put it, ‘less “glue” to keep the family together’.

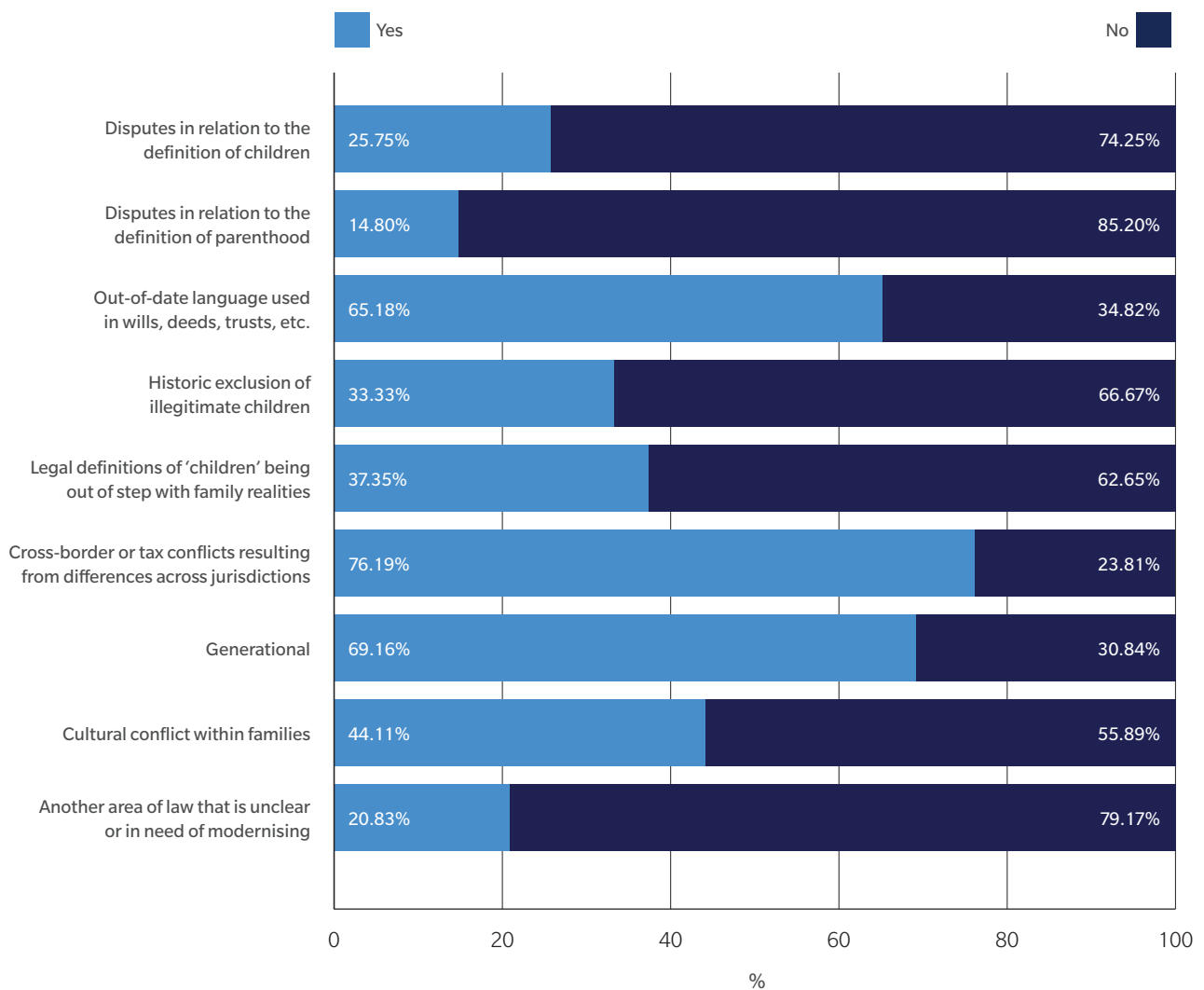
8. What do you see as the biggest challenges as a result of the change in the percentage of blended families you work with?



## KEEPING UP WITH THE TIMES

Three quarters of respondents identified that cross-border or tax conflicts resulting from differences across jurisdictions are proving contentious and leading to litigation; **69% highlighted generational issues and 65% of respondents identified out-of-date language being used in wills, trusts and deeds**. Alongside a number of other disputes arising from unclear or old-fashioned language, it is clear that a number of laws and legal definitions are out of touch with the current reality and need to be brought up to date. Specific examples mentioned by respondents included laws in relation to cohabitation (relating to succession), same-sex marriage (recognition across jurisdictions, inheritance, adopted children) and inconsistencies with regard to lasting and enduring powers of attorney.

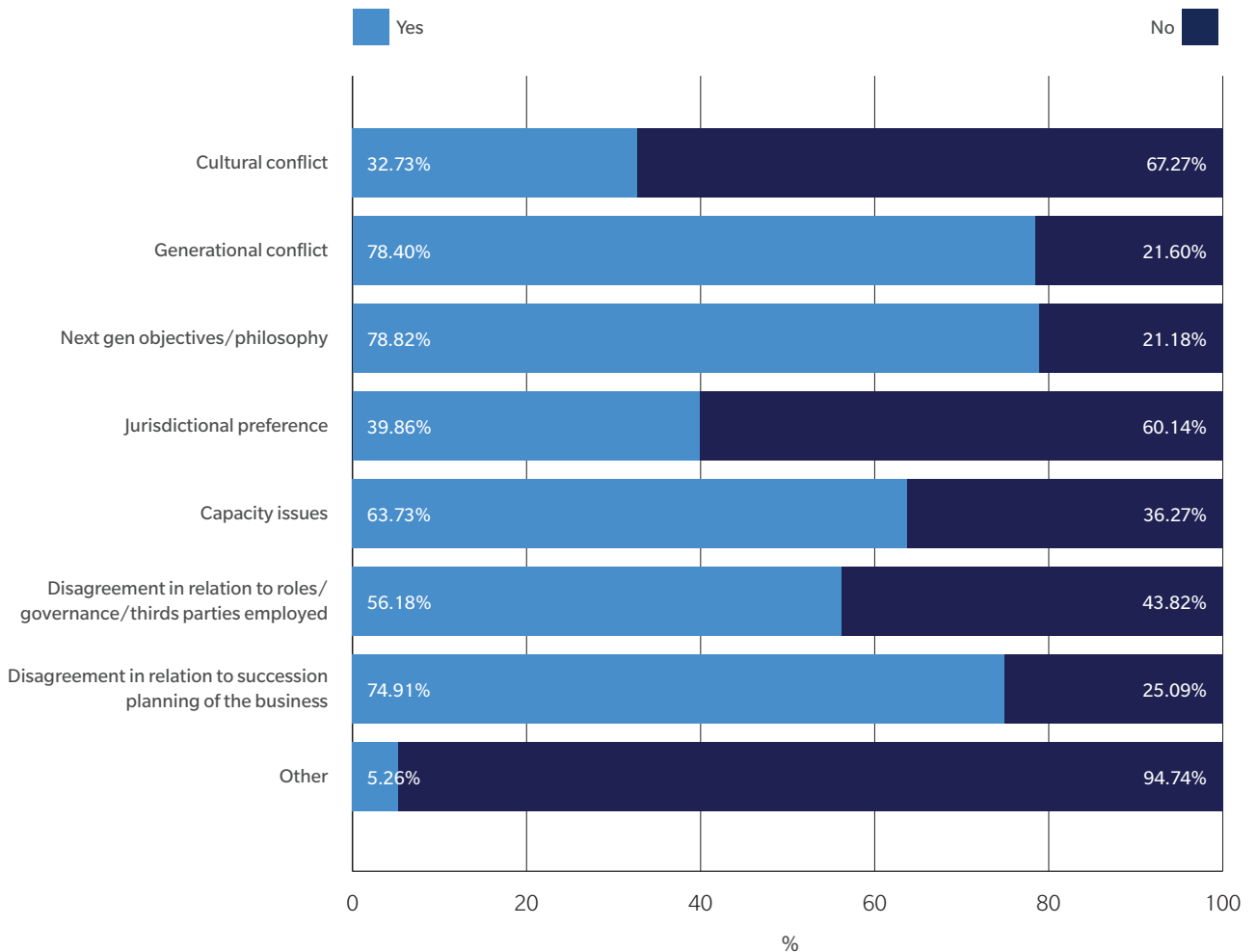
17. Have you noticed any of the following issues becoming contentious within the family and even leading to litigation?



## FAMILY BUSINESS FRICTION

Conflict can be particularly damaging for family businesses, and **three quarters of respondents are seeing a greater trend towards generational conflict within the family** and disagreement in relation to family business succession. The same number are seeing a trend towards next-gen philosophy, and these differing objectives from the younger generations are an important cause of tension. Another key trend noted is capacity issues – with 64% of respondents highlighting this as an issue for families.

19. If you advise family businesses, have you seen/are you seeing a greater trend towards any of the following issues as a result of the complexity of modern families?





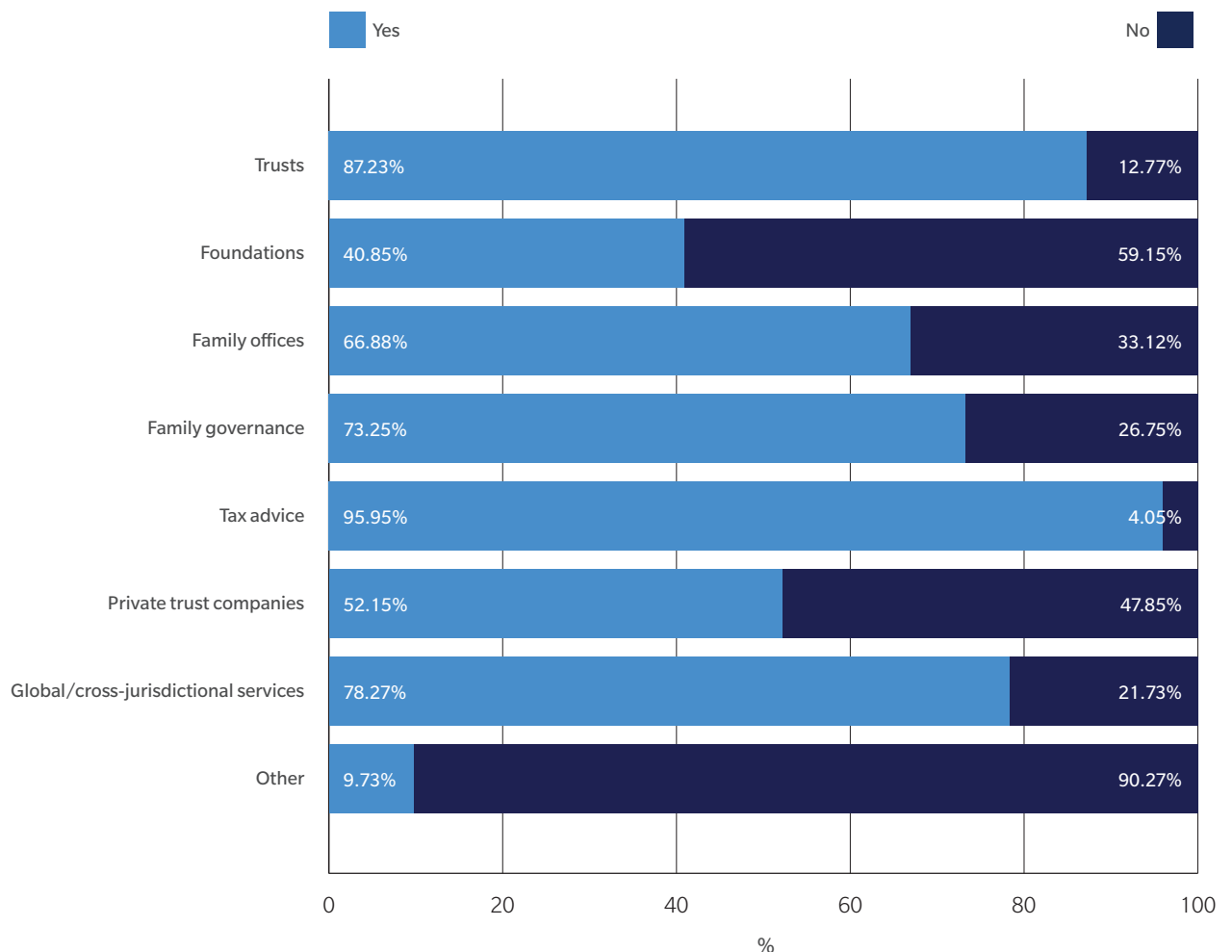
## 3

## New family constructs and dynamics are driving demand

**The increase in complexities and the potential for conflict associated with the modern family has resulted in increasing demand for advisors and their services.**

Tax advice tops the list of the services seeing increased demand with 96% of respondents selecting this option – a key issue for multi-jurisdictional families in particular as a result of differing tax rules and the increased focus on tax transparency and compliance. This is also seen in the **increasing demand for global/cross jurisdictional services**. Trusts are also in demand, their flexibility proving attractive in providing the ability to respond to changing circumstances in light of more complex family composition. Some respondents also flag that they are seeing demand for alternatives to trusts, such as family investment companies.

21. Do you think the complexities associated with the modern family are resulting in greater/increasing demand for:



## DEATH AND TAXES...

Succession planning tops the list of issues that clients typically seek advice on, with asset protection and tax planning and compliance next on the list. **Tax also features highly when it comes to advice sought** in light of the COVID-19 pandemic, alongside residence/domicile issues.

24. Please prioritise the following issues clients typically seek advice on?

- 1 Succession planning
- 2 Asset protection
- 3 Tax planning and compliance
- 4 Administration consolidation
- 5 Governance
- 6 Investment
- 7 Environmental, social and governance (ESG)
- 8 Privacy/data issues
- 9 Reputational issues
- 10 Philanthropy

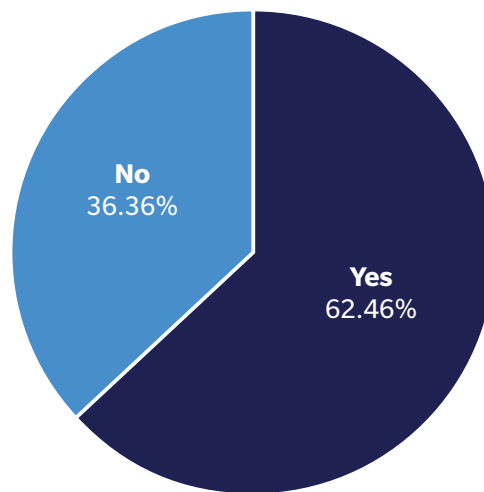
26. Please prioritise the business family office issues clients come to you for advice on in light of the pandemic?

- 1 Unintended/unforeseen tax issues
- 2 Residence/domicile of a family member has changed
- 3 Conflict in relation to the family business
- 4 Conflict in relation to succession planning
- 5 Business survival
- 6 Investment portfolio mix

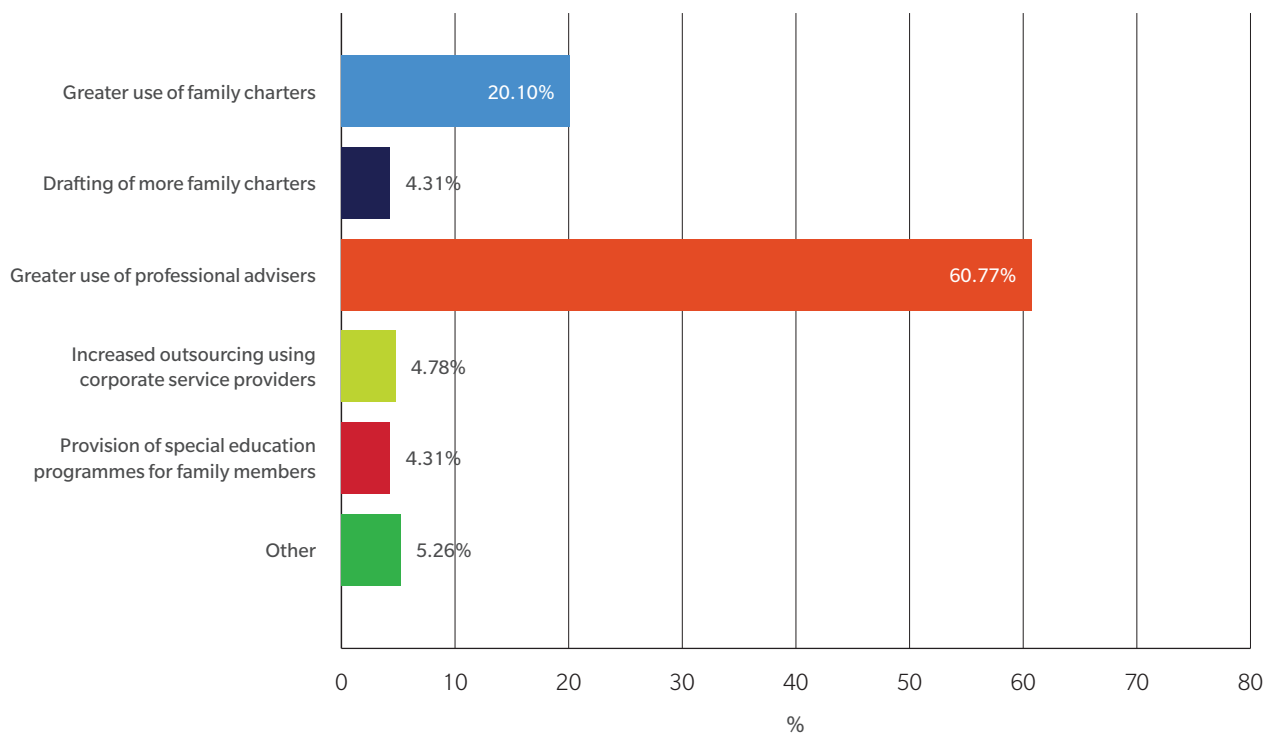
## FAMILY GOVERNANCE

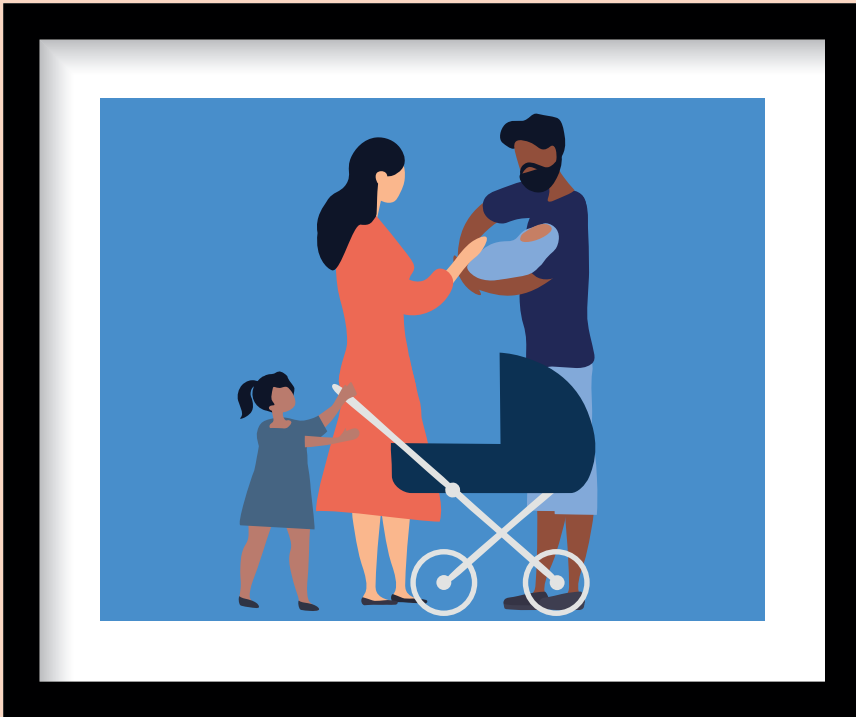
Not surprisingly, given the identification of a greater trend towards generational conflict within the family and disagreement in relation to family business succession as noted in the previous section, 62% of respondents have reflected that family governance has taken on greater priority. The same number have noted an increase in the use of professional advisors and 20% note a greater use of family charters.

14. Reflecting on your responses to the previous questions has family governance taken on a greater priority?



15. If so, in what way?





## 4

## One size doesn't fit all

**All of the above means that there is no longer a one-size-fits-all approach to meeting families' needs. Advisors are having to recalibrate their approach when advising families, with the old traditional advice model no longer working for many modern families and not being what such families want.**

The complexity and wide-ranging compositions of today's families means a bespoke approach is needed, which invariably takes time and money and often requires collaboration with other professionals – as one respondent observed: **'We all need to be slightly less focused on our little patch and collaborate with other professionals locally and internationally to help the family achieve their objectives.'**

Respondents elaborated on some of the challenges associated with meeting the needs of the modern family in their comments.

*'A lot more time and effort is required to be spent on a regular basis to understand relationships and family dynamics. Not a one stroke for all, or "template/standard" approach like it used to be, especially when information is so much more readily available. Values and mindsets are more diversely influenced.'*

*'Much increased cross-border work, requiring different bespoke structures. However, this is leading to greater frustration amongst families at the time and complexity of getting things done. Increasing different priorities amongst next gens leading to greater difficulty in parents being fair and concern amongst parents that the succession of the business and wealth may be less certain. This, in turn, is leading to more tension in family relationships.'*

*'Much more work required to ensure that drafting of relevant documents are suitable for the family unit; increased risk of litigation making it essential that the client is protected as far as possible and increasing issues for firms who are drafting the documents.'*

## SERVING THE MULTI-JURISDICTIONAL CLIENT

The significant increase in multi-jurisdictional families brings a number of challenges.

**Multi-jurisdictional families may see their planning significantly impacted when exposed to different tax and legal landscapes. Practitioners increasingly need to be aware of and knowledgeable about the varying rules in relation to domicile and tax, and differing succession and matrimonial property regimes and how these interact with each other in order to effectively advise families.**

In the survey, respondents indicate that the most important requirement from service providers in light of this trend is the breadth and depth of service offering to meet both personal and business needs – showing the value placed on both the variety of services provided and the level of knowledge and expertise. The second priority is a service provider that manages third-party service relationships on the client’s behalf. Both of these indicate that clients place a premium on convenience and having everything in one place. The third most important requirement was multiple country/office location.

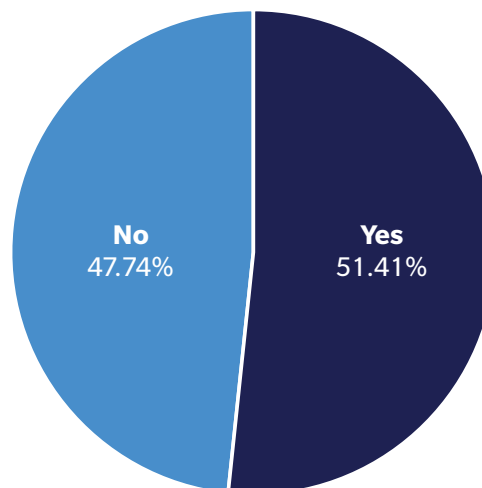
11. *As families become more international in asset diversification and personal locations, can you prioritise what is required from a service provider?*

- 1 — Breadth and depth of service offering to meet both personal and business needs
- 2 — Managing third party service relationships (sub-contractors) on behalf of client
- 3 — Multiple country / office location
- 4 — Language capabilities
- 5 — Independent / non-bank trust and corporate service provider
- 6 — Access to technology or ability to access services remotely
- 7 — Ability to have dedicated relationship manager across multiple locations
- 8 — Flexibility to move geography when necessary

## CULTURAL CONSIDERATIONS

Just over half of our respondents said that they saw cultural differences within their client-base. In particular, a number of advisors raised the **different cultural expectations**, values and priorities in relation to Asian clients, highlighting the different expectations of descendants, hierarchies within families and resistance to giving up control. Other examples noted were **differences across different cultures in relation to inheritance laws, the role of women**, approach to business and religious law. All point to the importance of advisors having a **strong understanding of culture and language** in relation to their client base.

12. Reflecting on your answers to the previous questions do you see any cultural differences within your clients, based on geography?



## 5

**Communication and early planning is essential**

When asked what one piece of general advice they would give to families to prevent future issues, **respondents overwhelmingly identified communication** – particularly within families, with early and open conversations about planning and succession – as the most important advice they could provide to families. Of more than 200 free-text answers to this question, **communication accounted for over a third of the responses.**

*'Communication. Talk openly and honestly about the family wealth, intentions and expectations.'*

*'Good communication and a willingness to compromise to prevent conflict.'*

*'Discuss matters when they arise, do not wait until the event has happened.'*

*'Communicate with all members of the family clearly and early on.'*

*'Talk to each other. Like adults.'*

*'Communication is key!'*

*'Have open and frank discussions early.'*

*'Be open with how assets are intended to be distributed – talk about it so there are no nasty shocks or challenges to estates.'*

This emphasis on communication – and in particular early communication – is **a clear movement away from the traditional, more paternalistic historic approach** of keeping younger generations sheltered from too much knowledge for as long as possible. This approach is increasingly seen by advisors as archaic and being consigned to history.



The other key piece of advice, and one that for many respondents was linked to communication, was **to plan – well in advance**.

*'Plan well in advance and keep the lines of communication open with each other.'*

*'Plan early; don't avoid difficult conversations.'*

*'Plan, plan, plan.'*

*'Prepare now rather than leave it to the future.'*

*'Plan while there are no conflicts and family members are healthy. Don't wait until it is too late.'*

And finally, a number of respondents advised **not to over-complicate**.

*'Make everything as simple as possible.'*

*'Keep it simple.'*

*'Simplify.'*

# METHODOLOGY

A survey was compiled by STEP, with input from members of the STEP Modern Families Thought Leadership Steering Group. A link to the survey questionnaire was sent to the membership of STEP by direct email. The survey opened on 2 August 2021 and closed on 23 August 2021. The survey was conducted using a computer-assisted web-based survey system called 'ClickTools', operated by STEP. Participation in the survey was entirely voluntary.

The findings we present in the findings section are based both on responses to close and open-ended questions.

All participants provided informed consent. Respondents were asked not to share any confidential or sensitive data, including about clients, in their responses. Respondents did not receive any reward or compensation for participating.

We would like to thank all respondents for their time contributing to this survey, not only in terms of the questions answered but also for the detailed written responses, which provide rich context based on practical experiences of estate practitioners.



# A WORD FROM OUR SPONSOR: TMF GROUP

We are grateful to all of the respondents who took the time to take part in the survey and shared their experience and knowledge. This report clearly shows an increase in the complexity of modern family dynamics. This, coupled with cross-border issues and a changing regulatory landscape, presents challenges when managing wealth, developing succession plans and protecting assets.

Communication, simplicity in structuring and advisor collaboration will help families address the issues they face in planning for their futures with certainty and clarity.



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