

# Family Constitutions

WRIGLEYS  
— SOLICITORS —

## BRIEFING NOTE

Families grow and family businesses grow. As they do they may fragment, bringing risks which can threaten family unity and the health of the family business. Many families need a way to bind all family members into a common aim of preserving relations and the business. A family constitution is a document that can achieve this. It is an inclusive arrangement, agreed by the whole family, which combines the objectives of the family and the objectives of the business. Family constitutions have been described as 'a roadmap to the family's future that includes the tools for the journey'.

### What is in a family constitution?

All families and all businesses differ and so do all family constitutions. Some are short and others extensive. They can cover any of the following:

- The agreed core values and aspirations of the family.
- Strategic objectives of the business reflecting the agreed family values.
- Strategic objectives for the future management of the family's wealth and core assets.
- A process for the family to make decisions about the ownership and management of the business.
- A process of managing and resolving conflicts within the family and within the business.
- The agreed documents that each family member must put in place to safeguard the family assets (wills, lasting powers of attorney, nuptial agreements).

### Case Study

#### THE FAMILY:

Arthur Smith (67 and widowed), his son Bernard Smith (38 unmarried with a long term partner and 2 young children) and Arthur's daughter Clarisse Jones (34, married but no children).

#### THE ISSUES:

Arthur owns and manages a successful engineering company. Clarisse is a director and key employee. Bernard has learning difficulties and will never earn enough to maintain his family. Bernard and Clarisse do not get on. Arthur wants to retire and hand over the business to Clarisse while ensuring that Bernard can continue to benefit from dividend income.

#### THE SOLUTION:

A family constitution is established which addresses the need for Clarisse to have complete management of the business, for Bernard to have preferential dividend rights, for both Bernard and Clarisse to undertake to enter into pre-nuptial agreements in the event of marriage, and for Arthur to convene and chair regular family meetings at which concerns and problems can be discussed. Arthur retains certain shares preserving his power to sell the company if necessary. The constitution combines both contractual and "mission" elements and is to be reviewed every five years.

### Our Service

Wrigleys act as the adviser to the family, providing guidance to family members to help to build the constitution.

With our extensive experience dealing with cross-generational wealth and succession planning across a broad range of family assets and businesses, we can prepare all necessary documentation. We are pleased to work alongside your other professional advisers in providing this advice.

# About Wrigleys

Wrigleys is one of the leading specialist firms of solicitors outside London.

We are proud to be ranked by Legal 500 as a leading firm in Yorkshire and the Humber for personal tax, trusts and probate, and by Chambers and Partners as a top-tier private client firm.

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