

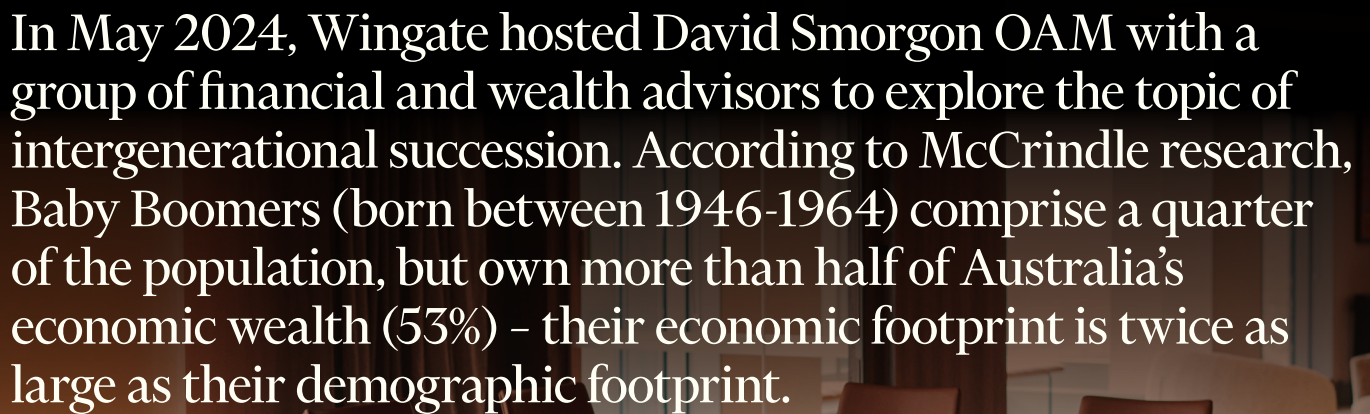
ADVISOR SERIES

Intergenerational Wealth Transfer with David Smorgon (OAM)



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In May 2024, Wingate hosted David Smorgon OAM with a group of financial and wealth advisors to explore the topic of intergenerational succession. According to McCrindle research, Baby Boomers (born between 1946-1964) comprise a quarter of the population, but own more than half of Australia's economic wealth (53%) – their economic footprint is twice as large as their demographic footprint.

Written by journalist Damon Kitney.

The Suitcase As a Family Symbol

In David Smorgon's office on Melbourne's leafy St Kilda Road sits an old school, brown, vintage suitcase, like something you might see in old movies.

It should belong in a museum. But to Smorgon, its imagery is priceless in the work he has carried out for 20 years mentoring family business clients on succession and wealth issues.

"We've all got suitcases. Because often we have issues that we don't want to deal with. It's too easy to say: 'It's not the right time, he will settle down and she will get over it, I'm just going to put it in a suitcase that will fix itself,'" he says.

"I can assure you that nothing improves in the suitcase. All that happens is all the stuff, all the things that we don't want to deal with, they go into your suitcase and pile up. Until one day, you see something, hear something or observe something that makes your suitcase explode, and you explode with it."

Smorgon, the man who was the inaugural chairman of Family Business Australia stressed that tensions and conflicts in family businesses could only be avoided if each member - young and old - was prepared to 'open their suitcase' on a regular basis. He learnt the hard way the consequences of not having the tough conversations on money and succession in a family business.

The Break-Up of Australia's Then-Largest Private Company

In 1995, members of the seven families that owned one of Australia's then-largest private company, Smorgon Consolidated Industries (SCI), looked on as the \$1.5 billion business that spanned meat, paper, chemicals, plastics, electronics, glass and steel and had –involved four generations of Smorgon family members was broken up.

As a grandson of Moses Smorgon, one of three brothers who started the company, Smorgon had fought hard to keep the family business together. But he failed. Almost 30 years on, he wants to stop other families repeating mistakes. It is estimated that in excess of \$4 trillion will be transferred by baby boomers to the next generation in families over the next 20 years. Yet Smorgon cites research showing 70 per cent of wealth transitions fail, which is an alarming statistic.

"Us baby boomers are working very hard at the moment and we need good advisors to give us the right advice"

- David Smorgon

Smorgon's boutique family advisory firm, Pointmade, has developed several guiding principles to help family business clients on succession and wealth issues.

He describes them as the keys to avoiding joining what he calls his "Fractured Family List", which unfortunately includes a number of the richest and most powerful families in the nation.

Quality Time and Coaching

The more time you spend with your children, the better return you are going to get. And even if you are spending time, it has got to be quality time. You've got to educate, you've got to train, you've got to coach, you've got to nurture with feedback that is honest, open and transparent

A Safe and Supportive, yet Focused Environment

Every family has its tensions, every family has its disagreements, every family has different perspectives.

One of the challenges for us as parents is to give everyone a voice and a chance to be heard in a safe environment. A safe environment is not sitting at a table having coffee on a Sunday morning for brunch. It is choosing a proper time and place when people can focus.

Focus on Problems, not Individuals

Whenever you've got a difference of opinion, too often in families we see people attacking others personally without really understanding what the real problem is. Play the problem, not the person.

Prepare to Act Ahead of Time

It takes years and years to understand what the ingredients for a successful succession are. The sooner you do it, the better because it is not going to get easier as every year goes by. Succession is a process and not a single event.

We've had people in our office, mainly men, who say 'Don't talk to me about succession. Come back to talk to me about it when I'm 90 years old'. Sorry, that's a no no. Start when the boss is 60 or 65. Even earlier if that's appropriate.

Empowering the Next Generation

Families and their advisors have choices to make in business and life. Smorgon firmly believes that those family businesses who have the healthiest and most harmonious relationships are the ones who make the effort to communicate, empower the next generation and most importantly, engender relationships of trust. The earlier the start to this, the better the result.

“Make sure your children bring something more than their surname to your family business. By spending more time creating that safe environment where people learn from others, you have a chance of working with your children, working with your grandchildren, and having that family continuity.”

“It’s not what lies behind us, or what lies ahead of us that is important, but what lies within us. In family business, I can assure and promise you with great confidence that there are solutions, processes and structures you can implement that will help you reach your aims and objectives.”



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