

# Balancing Family Wealth With Family Goals

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The collapse of Silicon Valley Bank seemed to have come out of nowhere. Many were puzzled how a bank of such magnitude could crumble in a matter of days. While more banks have fallen since then, and there is still great uncertainty in the banking industry and the broader market, it is important to contemplate a significant factor at play in Silicon Valley's demise: its balance sheet. It is possible that had Silicon Valley Bank been more broadly diversified both in its underlying investments and clientele, it could have survived the rising interest rate environment. On the other hand, Silicon Valley Bank's niche service of start-ups and venture capitalists was what enabled its explosion of growth in the first place. What was once Silicon Valley's greatest strength, a hyper-connected and loyal client base, became its greatest weakness. After underlying investments were forcibly sold at a discount, the bank's hyperconnected client base withdrew its cash overnight.

Keeping a healthy balance sheet and regularly updating it is key to sustaining and growing any business. But do you have one for your family? After all, what is required to run a successful business can often parallel what it takes to proficiently manage family wealth. Creating and updating your family's balance sheet annually is critical to the preservation and growth of your own family's wealth over the long term. So why doesn't the typical family have an up-to-date balance sheet? The reality is creating a balance sheet for your family can be an arduous and painful exercise. Not many enjoy rustling up old statements from the filing cabinet or taking inventory of every asset or liability to their name. Beyond the time and effort that is involved in the process, many do not wish to face the inefficiencies or problems that may appear in taking a look "under the hood" of their outdated financial world. Similar to Silicon Valley Bank's great success in a concentrated market, many families may find that they have created substantial wealth through a specific asset category. Real estate, family business ownership, partnerships interests, etc. are common assets that appreciate quickly and consequently overshadow a family's balance sheet.

The reward is great for families that give diligence and consistency in this area of planning. It can make a difference for your today, over the long term, and even across generations. An accurate family balance sheet enables you to immediately assess the overall “health” of your family’s net worth in terms of risk, liquidity, diversification, debt, income, and expenses today. In addition, a detailed balance sheet enables you to reconcile your current financial picture with the goals you have laid out for funding education, retirement, or your ultimate dispositive wishes. For example, liquidity is a common problem in many family balance sheets. Does your balance sheet reflect enough liquidity to provide for you in retirement when your income spicket runs dry? Does the trust that you executed for your family have sufficient liquid assets to pay taxes and provide for your loved ones in the event of your death? Having the forethought to review your family’s balance sheet regularly will give you the knowledge necessary to gradually align your family’s wealth with your corresponding goals. Relying on forced sales of assets at a deep discount because of an unexpected event, as in the case of Silicon Valley Bank, can prove fatal.

While your family likely does not have a board of directors it must report to, it is in your best interest to go through the annual exercise of building and maintaining a family balance sheet for you and your loved ones. Above all else, a detailed balance sheet is powerful tool that provides valuable information to your attorney in updating estate planning documents, your portfolio manager in rebalancing your investments, your accountant in preparing your tax return, and

your family should anything happen to you. In good times and in bad, this methodical practice of assessing your family’s wealth with a recognition of your goals and needs will provide a great chance of success across generations.

Truxton is in the Banking, Trust, Wealth Management, and Capital Advisory business, providing a unique and robust perspective to the balance sheet building process with families every day. If you would like to discuss your family’s balance sheet, or would like to begin building one today, please reach out to your Wealth Advisor, give us a call, or simply drop by our office. We are happy to help! ■