

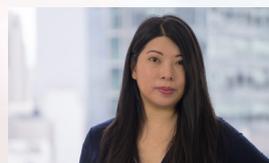
An Integral Approach to the Family Office





As a fund, trust and tax lawyer who creates family offices for global ultra-high-net-worth (UHNW) families, I have always been asked by my clients, “Does the establishment of a family office mean that there will be no disputes among my descendants?” “A family office,” I would respond, “gives focus and structure to your family and family wealth, so reduces the likelihood of disputes, but there is only so much that documents and systems can do. At the end of the day, family harmony depends on the people.”

I asked the fourth generation leader of a business family, who actively advocates the importance of the physical, psychological, social and spiritual aspects of health, for his view. He said, “Real peace is only possible if the family members pursue spiritual practices together.” He was spot on. I cannot agree more. This is also where transpersonal psychology and family offices, two seemingly totally unrelated concepts, become relevant to each other.



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Bridging Transpersonal Psychology and Family Office

Transpersonal psychology is the fourth force of psychology (Wilber, 2000; Hastings, 1999), besides behavioral, psychoanalytical and humanistic psychologies. The word “transpersonal” means “to go beyond the physical realm of human” (Sperry, 2016). There is no single definition to the term “transpersonal psychology,” which is rather a field that offers a large variety of perspectives (Caplan M., et al, 2003) and wide applicability, which stem from its “interdisciplinary nature” (Hartelius, et al, 2015). In the context of a family office, the most relevant perspective of transpersonal psychology is perhaps its capacity to provide a development path, which takes the family and its members from an ego-based to a broader, wholeness-based perspective. Ken Wilber’s Integral Model, as this paper will discuss, offers a potential guide for how family offices can foster deeper spiritual values necessary for the success of the families.

Transpersonal psychology, as a discipline, studies “humanity’s highest potential” (Edward R. Canda & Elizabeth D. Smith, 2001), and “accounts intelligibly for the process of transformation” (Daniels, 2005). UHNW families are drivers of many economic activities. They control considerable resources and their businesses provide livelihoods for many people. Philanthropic causes and incubation of new technologies are often supported by the richest families. Once, at a private wealth conference, I asked the audience if they would like to be in a world where resources are controlled by families that are motivated by fear or by love? The answer was obvious. Transpersonal psychology is such a versatile, interdisciplinary area of study capable of making sense of a spectrum of religious and spiritual practices without being tied to any particular practice. If UHNW families can have access to transpersonal psychology as a way to realize their fuller potentials or if possible achieve transformation, the discipline should be recognized and incorporated as part of the best practice of such families and their family offices.

UHNW Families and Approaches to Family Offices

UHNW individuals generally mean those who have more than US\$3 million or US\$5 million of investible assets. Among them, only a small number of UHNW families need and can afford a family office (which could exist as a separate company or other legal structure or a unit within the family business) to manage their affairs. Campden Wealth estimates in its Global Family Office Report 2017 there are 5,300 family offices, including single-family offices and private multifamily offices, in existence globally. The average family office surveyed in such report has an average of US\$921 million in assets under management.

“Family office” as a discipline has not yet acquired a formal definition. One of the perspectives is to divide these offices into two broad types. Some families have an investment-centric family office, primarily to make private investments and generate more wealth. This type of family office is the family’s asset allocator and manager of internal hedge funds and private equity funds. Some families set up family offices for the purposes of asset protection and provision of welfare and services to family members. These welfare-centric family offices work with professionals to form and maintain trusts, take out insurance, draft and implement family constitutions, support family councils, hold family meetings, handle immigration matters and settle disputes within and outside the family. I have been advocating a third type of family office, one that adopts a “value-centric model’.” It is a convergence of the investment-centric and welfare-centric models to offer a total solution for all aspects of the life of an UHNW family (Woo, 2014).

From the Value-Centric Approach to the Integral Model

Value-centric family offices are self-contained and comprehensive because they generate even more wealth for the families and are able to absorb the costs of providing services to the family. But, are investments and services all that UHNW families need? What about nurturing the family's spirituality? Research conducted on the integration of spiritual beliefs or practices into family relationships has shown positive results (Mahoney, 2013). The study of transpersonal psychology has inspired me to acquire additional dimensions in identifying the needs of UHNW families and what family offices can provide.

I have drawn inspiration from Ken Wilber's Integral Model and a number of its components. The significance of this model is that it maps the relevant elements in the various dimensions of the reality and with which such information, a development path can be planned and implemented. One of the core essences of the model is the distinction between the interior and exterior aspects, and the individual and collective aspects. Displayed as four quadrants, the model becomes (Wilber, 1997):

		Individual			
Interior	"I" Subjective Thoughts, emotions, memories, states of mind, perceptions and immediate sensation	"IT" Objective Material body (including brain) and anything that you can see or touch (or observe scientifically) in time and space	Exterior		
	"WE" Intersubjective Shared values, meanings, language, relationships and cultural background	"ITS" Inter-objective Systems, networks, technology, government and the natural environment			
		Collective			

Figure 1. Ken Wilber's "Four Quadrant" Map (Wilber, K. (2014, October 28). What are the Four Quadrants? Retrieved from <https://integrallife.com/four-quadrants/>)

Figure 1 is the Integral or AQAL "all quadrants, all levels" model. The Upper-Left quadrant concerns the interior aspects of an individual, the subjective or the "I." The Upper-Right quadrant reflects the exterior of such individual, the objective or the "It." The Lower-Left quadrant refers to the collective, interior view, the "We," and the intersubjective, and the Lower-Right quadrant describes the exterior aspect of the collective, the "Its," and the Inter-objective. Within each quadrant, there are lines of development to give depth to the Left-Hand quadrants, and to represent complexities in the Right-Hand quadrants (Esbjorn-Hargens, 2012). Such a model is "integral," as it is capable of providing a complete understanding of the experience/reality and a roadmap to achieve growth, development and transformation in all aspects. The model has had many "real world" applications in such disciplines as politics, medicine, business, education and ecology (Wilber, 2001).



Application to UHNW Families and Family Offices

Figure 2 below shows how the Integral Model can be applied to describe the various dimensions of the life of a member of an UHNW family with a family office. Each dimension is presented not as a quadrant, but as a quadrivium “directed at a particular reality” (Esbjorn-Hargens, 2012). Within each quadrivium, three lines of development and examples of the relevant elements for each line are also shown.

Individual		Collective	
Interior	“I” Subjective Mental state (perception, respect, image, responsibility) Emotional state (joy, fear, excitement, pride, shame) Spiritual state (intuition, consciousness, religious belief, spiritual belief, unconditional love, oneness)	“IT” Objective Physical state (age, gender, health, physical capacity, movement, death) Economical/financial state (personal wealth, roles in family business or family office, personal tax planning, occupation, profession) Social/relational state (marriage, roles in family, social standing, political affiliation, charitable work)	Exterior
	“WE” Intersubjective Culture, ethics and value (family spirit, unspoken rules, collective value, moral standard) Objectives and vision (protection of family heritage, fame and pride, realization of collective vision) Mutual understanding and feeling (competition, fraternity, piety, favoritism, closeness, familiarity, family warmth, emotional undercurrents, collective emotions)	“ITS” Inter-objective Relationship and system (family composition, family constitutions, family council and committees, external relationships) Wealth organization and management (family office, internal funds, investment strategy and execution, prime brokerage, custodian, administration) Wealth succession and application (private trust company, family trusts, tax planning, family-backed charity)	

Figure 2. Integral Family Office Model

The Upper-Left quadrivium represents the interior of the family member, and three lines of development (e.g., mental, emotional and spiritual states) are identified. A member of a wealthy family with fame and money would usually have pride for the family and maintain a corresponding self-image. Spiritual state can denote any religious or other spiritual beliefs a family member might hold. Along each line of development is a path along which the family member evolves from one level/stage to another, and the overall direction is from an egoist stage driven by fear to a more enlightened stage filled with love.

The Upper-Right quadrivium represents the exterior of the family member in the three lines of developments (e.g., physical state, economic/financial state and social/relational state). They represent the personal, tangible aspects of such person, including bodily health, wealth, occupation/professional and different roles in the family, family business and family office. Positive developments along these lines would be seen when the family member goes beyond attaining personal glory and sees himself or herself making active, positive contribution to the family and the society.

The Lower-Left dimension deals with the collective, shared, subjective aspect of the family in which the individual is a member. There are three lines of developments (e.g., culture/ethics/value, objectives/vision and mutual understanding/feeling). Unless family constitution is well written, the elements in this dimension are largely unspoken and undocumented. Typical examples are entrepreneurial spirit stemming from the family’s particular background and heritage, and emotional undercurrents (usually competitive) among family members. The stages of development should ideally shift from exclusive to inclusive and from competition to compassion.

The Lower-Right quadrivium depicts the collective exterior of the family, including relationships and family system, family wealth organization and management, and family wealth succession and application. These are the visible, organized aspects of UHNW families, the sophistication of which depends on the service level of the family office and the family’s advisor and whether the family is long established or newly wealthy. Family systems and wealth structures are usually defensive and fear-driven when first developed because the primary concern is asset protection. When a family moves along the lines of development, the focus would become more love-driven and to encourage the family to also see the good in the self, family and society.

Different Family Member, Different Reality

The same framework, when applied to different family members, can explain the differences in the corresponding reality. A family member with no active role in the family office, family business and family council (thus, less active involvement in the Lower-Right dimension) might be less engaged and less appreciative of what is going on in the Lower-Left dimension. The challenge for the family office is how to instill in that individual the sense of belonging. Attending the family meeting once a year and having an annual distribution from the family trusts do not achieve much in that respect.

A family leader would have a completely different experience in the various dimensions. The sense of pride would be higher and more of his or her Upper dimensions would be associated with the collective perspective in the Lower dimensions, especially if that family is the main driving force behind the family office.

Does a mentally incapacitated family member have no emotional and spiritually capacity? Such a family member would have an impact on other family members, and thus, the other three dimensions in the model. If some family members have dedicated religious/spiritual practices, would they feel that particular aspect of their lives is neglected if the family office only deals with the tangibles?

Intersubjective dynamics are of such complexity that it is overly simplistic to assume the interior “we” is the summation of the interior “I”s. The essence of the Lower-Left dimension is rather “a shared communication and resonance among members of the group” (Wilber, 2006). This is a task to be facilitated by a successful family office.

Family Offices Should Go Beyond the Lower-Right

Most existing family offices, which deal with mainly investment, succession and family processes on a collective basis, are creatures of the Lower-Right quadrant. An internal fund, for example, segregates the economic interest in the wealth and the management rights. The family member would have an entitlement in the wealth in the family’s private fund, but does not have the right to manage, which is vested in the family office. A family trust, for instance, is set up to protect the wealth from creditors’ claims and manage tax costs, but most beneficiaries are passive recipients without individual participation in the management and administration. These structures are managed collectively.

Typical family offices focus on the collective (i.e., the family as a whole) and the tangible arrangements. There is very little attention paid to the interior states (e.g., mental, emotional and spiritual) of the family members. Families are essentially the family members, and the work of a family office is not complete if it does not take into account the impact it and its activities might have on the family members (both externally and internally).

This resonates with the view of Wilber, who sees that the medical/insurance and “managed care” industry supports only brief psychotherapy and pharmacological interventions, both Right-Hand approaches, and the interior psychologies are selected against (Wilber, 2000). Family offices have experienced similar trends. The investment side and succession planning side (also Right-Hand approaches) are capable of demonstrating returns and justifying expenditure and thus, be more developed than the Left-Hand dimensions. However, without the interior, one and his or her family cannot be complete. This is the time for family offices to change.



The Real Meaning of Abundance

A client receives an extremely large sum of money from his father. He knows his father wants him to put the money to very good use and the client wants to know how he should deploy the money. My response is that he should resist the urge to invest for a short while. He is faced with an Upper-Right stimulus, and without considering the integral family office model, he would react immediately by an Upper-Right action (i.e., making investments). With this model, we are able to consider the event with additional dimensions. The Lower-Right dimension shows a change in the wealth organization structure, giving him control in and/or access to a considerable size of family wealth. A corresponding change happens in the Lower-Left, where the family anticipates passing on not only the wealth, but also the responsibility and expectation. In the Upper-Left quadrant, the sense of responsibility heightens, followed by excitement (and perhaps mixed with anxiety), and for some, it is the best opportunity to reflect on not only life purposes, but also the spiritual and religious purposes. The best reaction is to take time to “digest” the impact of material abundance on the person’s internal reality and then make the appropriate decision, having also considered the impact on the other quadrants in the model. In this sense, abundance means not only monetary wealth, but also wealth in the interior and potential development to benefit the family and the society.



Self-Awareness in the Family Context

A visionary client who is a self-made owner of many international businesses sees self-awareness as a fundamental process that made him or her successful. The visionary client wants to instill the practice of self-awareness in the family. Although the concept will be included in the family constitution (which is a Lower-Right item), the real process happens initially in the Upper-Left quadrant and along all three lines of development. Self-reflection helps one gain clarity in the internal dialogue of the mind and achieve emotional stability. In a transpersonal psychotherapy context, it is a process of awakening from a lesser to a greater identity (Wittine, 1989) and spiritual awakening, including the practice of self-awareness, reported increasing over time sense of life satisfaction and well-being (Louchakova, 2004). The family office should provide the appropriate Right-Hand environment that encourages the family members to share their reflections and make it a regular practice. Training, counseling and sharing sessions can be organized. Mandatory participation can be potentially tied in with the legally binding portions of the wealth holding structures.

Forgiveness as a Catalyst of Development

I discussed forgiveness in the family office context in an article published last year, and how this commonly accepted virtue is rarely included in family constitutions (Woo, 2017). Forgiveness (of self or another) is a Left-Hand mental state experienced by a family member having made mistakes (and usually excluded from being a beneficiary and an office holder in the family business or family office). The family member will go through self-forgiveness, forgiveness by the divine/universe in a transpersonal context and by other family members who release the anger and decide to forgive. The Integral Model, linking a Left-Hand mental state with the Right-Hand reality, provides a roadmap for one to observe and understand how forgiveness (and healing) happen and can be encouraged. For a family member excluded from the family system, he or she could be given a chance to be included again if he or she proves himself or herself in engaging in impact investing and charitable activities backed by the family but outside the family system. These examples in the Right-Hand dimensions will bring positive impacts to the Left-Hand quadrants. When the family as a whole and its members learn how to forgive, they “transcend the internal/external distinction” (Lewis, 2005) and leap forward in terms of the levels of development.

Conclusion

The Integral approach does not guarantee that a family office is evenly developed in all aspects, but offers the opportunity for an UHNW family and its family office to be “integrally informed” of their strengths and weaknesses. The awareness will be the basis for future development. An Integral family office facilitates not only a more holistic organization of the affairs of UHNW families, but also a culture and best practice of “multidimensional inquiry” (Ferrer, et al, 2005) that best enables transformation, a process with direct, profound impact on the self and the family, which “can be the beginning of a life-long deepening of transpersonal realization” (Hunt, 2016).



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