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Exclusive Interview With The Founder Of The Purposeful Planning Institute

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This month, family office consultant Joe Reilly interviews John A Warnick, founder of the Purposeful Planning Institute, about what purposeful estate planning should look like, how far you can push a client, and asks him to respond to his recent profile in the *New York Times*.

Joe Reilly: Your group has become influential in a short period of time and has about 300 members, but many of our readers may not be familiar with PPI. Could you give a bit of context as how the group came about?

John A Warnick: The Purposeful Planning Institute (PPI) was formed for two reasons. First, to explore and share best practices for legacy families and families in business. Second, to foster more frequent and effective collaboration among all of the professions and disciplines which provide valuable services to those families, their family offices, and enterprises.

But to trace the story behind the founding of PPI we need to go back about 15 years. In the years 1999-2000 I experienced some profound awakenings professionally, largely as a result of unintended negative consequences which manifested in the aftermath of technically excellent planning. I hungered to discover a "better way", a more positive and sustainable approach to estate and succession planning.

The Greeks have a proverb, "when the student is ready the teacher will appear." For me it wasn't a single teacher but many who came into my professional path at that time and over the next 10 plus years.

The most important of those teachers was my mentor James E Hughes. Jay opened my eyes to a variety of best practices which could be of great benefit to our clients but were largely overlooked. This realization initiated a deep exploration into the possibility of fusing the best of quantitative and qualitative planning. In that journey I discovered we need to deepen the conversations, and actually employ a new vocabulary to elevate our service to our clients.

Concepts and paradigms were emerging in my conversations with Jay and others. There are so many that I owe so much to. I began speaking publicly about purposeful planning starting in 2006. And, when I spoke to professional audiences, particularly to attorneys, I noticed two reactions: resistance and excitement. The resistance wasn't surprising but its intensity was discouraging. Another mentor told me, "remember the pioneers are the ones with the arrows in their backs…you have to be out in front."

I knew I couldn't do this alone. I had a small but deeply committed group of like-minded professionals who responded positively when I suggested we create an institute to draw attention to the thought leaders and innovators who were changing the landscape of professional service. We were audacious enough to think that over time it would become a movement. And, that is indeed happening as we witness the growth of PPI.

Joe Reilly: Can you summarize the ideas behind purposeful estate planning, and tell us how it is different from the typical estate planning process at a wealth manager or law firm?

John Warnick: Traditional planning is myopic. Its success is defined by avoiding tax, probate, etc. or minimizing risk and maximizing alpha.

Purposeful planning looks at the entire process through a different lens. If I had to sum it up in one word, I'd say the difference begins with why.

Unfortunately, too many advisors rush to judgment and assume that purposeful planning is just about the "touchy feely" stuff. The reality is most purposeful plans rely on the engine of a powerful tax technique. Purposeful plans demand excellence in both the technical planning and drafting. But purposeful plans also integrate best practices which are critical for transitional success and which are largely overlooked in traditional planning.

Purposeful planning starts with discovering the client's most heart-felt dreams and vision for the type of legacy they want to create. Traditional estate planning starts with a fact-finder. It's full of vital financial information and the names of those you want to benefit with your planning. But there's nothing about what matters most to you; why you are doing this; or what your hopes are for how what you leave behind will bless the lives of those you care about deeply.

The discovery phase in purposeful planning has two dimensions: interior and exterior. The interior focuses on the client's values and vision. The exterior focuses on the strategies and techniques. And the best of purposeful planning occurs when we make sure there is congruency between the strategies and the vision and values. How is this investment strategy aligned with my values? How can we make sure this tax or estate planning strategy will achieve both tax savings and also be a positive and sustainable influence in the lives of my children and grandchildren?

To create a purposeful plan the advisors must fully understand the client's whys and the client must have clarity around How they can accomplish their goals.

Joe Reilly: How do you know how far you can safely go, as in how far you should engage with a family's thornier problems? There is a certain amount of risk to your firm's relationship with a client.

John Warnick: The important thing is to have either the training or diagnostic tools to know when you are crossing into territory where you should refer the client to a therapist. I have invested in a lot of training but I still rely heavily on diagnostic tools.

There are two diagnostic tools I use routinely. The first is the Family Wealth Roadmap developed 20 years ago after extensive research and validation by Dr Dean

Fowler. I’ve encouraged Dr Fowler to integrate purposeful planning concepts and vocabulary into the Roadmap tool and we are making it available to advisors, consultants and family offices through the Purposeful Planning Institute. I like to refer to it as a wealth planning MRI. It not only will spot hidden issues but it also identifies a family’s strengths. It predicts the best pathway for purposeful planning and helps the advisor and family leader confidently move forward.

The second is a very simple but effective diagnostic process developed by Drs Goldbart and DiFuria of the Money, Meaning and Choices Institute in California. They have developed ten questions which any professional advisor who wants to work purposefully with clients should use. The answers to these questions will reveal whether you are in a green light, yellow light, or red light situation. Green light space means you can proceed freely. When yellow lights present, you’ll want to proceed with caution, perhaps collaborating or consulting with a skilled behavioralist. And, when the responses suggest you are in the red light zone you’ll need to refer the client to a therapist. Advisors working in the red light zone run a substantial risk of doing great harm.

Joe Reilly: A recent New York Times article mentioned that Purposeful Planning was a bit too outside the box for most professionals, too expensive and may not hold up in court.

John A Warnick: On the issue of Purposeful Planning is too outside the box, I would ask which box does a family want to be in? Do you want to be in the box that longitudinal research suggests has a 70 per cent or higher probability of producing a transitional failure? Or do you want to be in the box which is proactively seeking to insure that your family's wealth will be a positive rather than a destructive influence in the lives of your descendants?

On the issue of being too expensive, I would ask: expensive relative to what? Relative to the amount of money you spend on investment management fees? Relative to the amount of money you spend on tax planning? Relative to the amount of money you spend on risk management and insurance?

I believe the day will come when families will view the professional and consulting fees they spend on Purposeful Planning as an investment rather than an expense. When you invest you want to make sure that what you are buying is either a good value, fulfills a deep desire or need, or has the potential to prove to be of great value in the future. Purposeful Planning can be an excellent value when you look at it through each of those prisms.

Purposeful Planning is scalable. What a billionaire family will invest in Purposeful Planning may be ten or 20 times greater than what a family with $100 million or $50 million spends. But Purposeful Planning makes sense at virtually any level of wealth and the amount expended to make your planning purposeful should be carefully tailored to comfortably fit the needs and circumstances of your family.

It is true that we haven't seen a trust document or will which was intentionally drafted using some or most of the Keys of Purposeful Trusts & Gifts be tested in court. We do know what is happening, however, with traditional, elegantly drawn estate planning documents. Too many of them end up in court. In some cases they may become the subject of a court battle because of an inadvertent ambiguity. More often, from the anecdotal reports I'm hearing from other lawyers, the documents aren't the problem. It's the failure of the family's relational fabric, or poor selection of trustees, or the exercise of poor judgment by trustees. Interestingly, those are the very issues which Purposeful Planning addresses.