term and individual, and family goals for achievement are set far too low. Time should be measured by the generation. Otherwise, how can a family address whether it will still be in business in the fourth generation? Short-term for a family is twenty years, intermediate-term is fifty years, and long-term is one hundred years. With increasing life expectancy, I'm tempted to lengthen these periods, but for now they offer reasonable measuring sticks.

Almost every family I encounter is trying desperately to ensure that every year brings an increase to the bottom line of the financial balance sheet. I applaud this as an exercise in good financial stewardship. Unfortunately, though, if looked at over the twenty years of a short-term financial plan, these annual results simply become footnotes. In a fifty-year plan, they do not reach footnote status; they just appear on a bar graph. In a one-hundred-year plan, they are interesting only to the family historians.

An emphasis on short-term results is usually found cloaked in the mantra, "We are long-term investors." This unrealistic self-assessment frequently masks the fact that the risks necessary to achieve these annual goals—goals that even in a twenty-year cycle are extraordinarily short-term—are far too high in terms of the family's one-hundred-year financial wealth preservation plan.[1] When the twenty-, fifty-, and one-hundred-year terms of measurement are imposed on the family's investment strategy, the discipline of patience, which highlights the success of great investors like Philip Carret and Warren Buffett, shines forth. Patience is a virtue in everything a family does. For families setting their long-term strategies for preserving financial wealth, time is a friend in a way it is not for most investors. Equally, failure to take advantage of time is a waste of a valuable family asset.

When we move beyond the financial sphere and the family is measuring the preservation of its human and intellectual capital, its failure to understand the proper time frame for measuring success is even more profound. Some years ago, I was discussing the purchase of personal life insurance. I took the opportunity to ask my insurance agent about my life expectancy. I was delighted to hear him confirm that most of us are living longer than our grandparents or parents.

He told me that, barring a first heart attack or cancer before the age of fifty-five and assuming we do not smoke, the actuarial expectation for the large majority of us is that we will live well into our eighties and our children will live into their nineties.

For families in the wealth preservation business, this demographic information is fabulous news. Instead of losing individual family assets in their sixties, the family will get an extra twenty-five years' benefit out of the human and intellectual capital of the majority of its members. Any business that could extend the useful lives of its assets by twenty-five years would be in line for substantially increased profits. Every business knows that the cost of purchase of new assets is high, and keeping existing assets in excellent repair is critical to financial success.

In families, exactly the same business metaphor applies. When a family measures the useful lives of its members and plans for the maximum use of each member's human and intellectual capital over that member's lifetime, it defies the onset of the energy-depleting stages of status quo and entropy that are the greatest liabilities on its balance sheet. Failure to include the expected contribution and participation of each family member in the twenty-, fifty-, and one-hundred-year plan of a family is to have no plan for the management of the critical human and intellectual components of the family's wealth. Failing to measure properly fails to bring the newest members of the family into the family plan early enough to maximize their lifetime contributions. A business would never squander thirty years of the useful life of an asset. Failure to educate younger family members to a level at which they can participate and contribute to the family balance sheet is as much a waste of family assets as misjudging the useful lives of the oldest members of the family. The shirtsleeves proverb applies when families don't appreciate the power of twenty-, fifty-, and one-hundred-year time frames as a measurement of success in wealth preservation.

Fourth: Families fail to comprehend and manage the external and internal liabilities on their family balance sheets. Remember that the ultimate liability of a family business trying to preserve