

# Your Investment Strategy Should Reflect Your Family Values and Goals

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A family investment policy defines how a family manages its collective financial assets in alignment with its shared values, goals, and risk preferences.

As business-owning families move beyond a single operating company to managing a diversified portfolio of assets (such as real estate, public equities, private equity, art, etc.), they confront a new kind of challenge. The task is no longer just managing the operational business but ensuring that their investments express the family's shared – and often divergent – values, perspectives and goals. While some family members might want to maximize returns, others may be more risk averse, wanting to preserve capital, or promote the family's social and environmental values.

If your family wants to avoid friction and conflict resulting from disagreements over investment choices, it may be well-served by a **family investment policy**. But what is a family investment policy, and how can your family develop one that fits who you are, and where you want to go?

## What is a Family Investment Policy?

It is natural that as family ownership groups grow, they grow apart, as individual family members and branches adopt diverse perspectives, embody different values, and pursue varying goals. This tendency to be pulled apart over time can be countered by continuously

nurturing a set of shared values, and a common purpose that excites the family across generations and branches.

Such a foundation of shared value and purpose is incredibly helpful in giving orientation and direction. It provides clear parameters for deliberation and decision-making for leadership in the family enterprise, the board of directors, the family council – and to those who make decisions pertaining to the shared investable assets of the family shareholder group (perhaps a single- or multi-family office, or a trusted wealth manager). However, understanding the family's shared values and purpose may not provide sufficient guidance to those making investment decisions: They also need to understand, among many other things, individual and collective risk preferences and return expectations, and how involved the family members want to be in individual investment decisions.

This is where a family investment policy can be helpful. A **family investment policy** is a *governance tool* that defines how a family manages its collective financial assets in alignment with its **shared values, goals, and risk preferences**. Done right, it's a governance tool that translates the family's shared values and goals into clear guidelines for how collective wealth is allocated/invested and managed. It helps families define what "wealth" means to them, not just in financial terms, but also in social, emotional, and legacy dimensions.

But too often, these policies are written by advisors or family office professionals with limited input from family members. As a result, they may be technically sound

but emotionally hollow, failing to capture what truly matters to the people whose name is on the assets.

Our research shows that effective investment policies depend on two forms of alignment. *Vertical* alignment ensures that family values and long-term aspirations are consistently reflected at every level of decision-making, from overarching family objectives to concrete investment strategies. *Horizontal* alignment, in turn, integrates activities and goals across multiple areas, such as governance, generational perspectives, and investment strategies, fostering coherence across the entire family enterprise system. When either dimension is lacking, even the most sophisticated investment policy can backfire, giving rise to tension, mistrust, and fragmentation among family shareholders.

## Three Orientations for Family Investment Policies

When we talk about codifying agreements, enterprising families tend to vary widely in terms of their preference for flexibility versus structure. Some families prefer ‘suggestive’ agreements that outline the parameters for decision-making, without getting too granular. Others prefer ‘normative’ agreements that outline in a detailed manner the dos and don’ts, including repercussions for failing to meet expectations. Based on hundreds of governance documents reviewed, we identified three distinct orientations along a **continuum**:

1. **Suggestive policies** are guided by broad principles and trust and are ideal for cohesive families that communicate well and share strong values. Example: *“We aim to diversify our investments across various asset classes, balancing risk and reward. The allocation will be reviewed periodically to ensure it aligns with our evolving goals and market conditions.”*
2. **Prescriptive policies** blend flexibility with clear rules and are useful for families that seek structure and accountability. Example: *“Our asset allocation strategy focuses on a diversified mix of equities, fixed income, and alternative investments, with specific allocations assigned to each based on our risk tolerance. Asset allocation is reviewed annually to ensure alignment with family objectives.”*
3. **Normative policies** indicate a preference for enforceable standards, and are suited for large, complex, or lower-trust families where clear

governance is essential to prevent misunderstandings. Example: *“Our asset allocation strategy divides investments into 60% equities, 30% fixed income, and 10% alternatives, with strict emphasis on diversification. Asset allocation is reviewed and rebalanced quarterly to ensure alignment with financial goals and market conditions.”*



Figure 1: Family Investment Policy Orientation Continuum (Binz Astrachan, Michiels, Graves, and Bai, 2025)

The right approach depends on a variety of factors, including the family’s culture, trust level, and ability to communicate and resolve conflict productively. A cohesive, communicative family can operate effectively under a suggestive policy. A fragmented or newly formalizing family might need more structure and less ambiguity to ensure fairness and clarity.

## Designing an Investment Policy That Works

Creating a family investment policy is less about quantifiable goals, and more about the family’s ability to have difficult conversations. When done well, the process itself can build trust, alignment, and ownership across generations. Based on our research and consulting experience, we recommend five good practices that increase your chances of succeeding:

1. **Start with your shared values and goals – and your orientation:** Identify what truly matters to the family; not just what you want to earn, but what you want to enable or avoid through your investments. Then, identify what orientation makes most sense for your family: Do you need more structure and less ambiguity? Lean prescriptive. Do you trust your ability to communicate and resolve conflict? You should be fine with a suggestive policy. And remember; words matter (see examples above), so choose them carefully.
2. **Leverage your process:** Choosing your words carefully also means understanding individual

and collective values and objectives, and where they diverge. Only if you design a process that is inclusive, by engaging family members across branches and generations can you be sure that you design a policy that truly reflects the entirety of voices in your family shareholder group. Inclusion builds buy-in and reduces resistance later.

3. **Build in flexibility and adjust as needed:** A hybrid or modular policy can allow room for personal preferences while protecting shared principles; building in flexibility to accommodate for differing needs and objectives makes the system more robust. And don't forget; families evolve, and so should their policies. Schedule annual or biannual reviews to ensure the policy stays relevant as the family, market, and goals evolve.
4. **Start low and slow and build on your success:** Families often bite off more than they can chew – be it because they feel pressed to have a solution ready, or because there is a lot of momentum initially as people are excited about getting involved. The reality is that follow-through is often poor, leaving families disillusioned and frustrated with others' lack of commitment. Set your family up for success by initially setting achievable goals, for example aligning around the three to five core values family members want to see exemplified through their shared investments. Move up to more complex tasks, such as defining asset allocation, risk tolerance, or liquidity needs.

*FERC Conference, and the 2025 FFI conference.*

## It's All About Alignment

When investment practices reflect shared values and aspirations, they not only sustain wealth but also strengthen relationships and trust. Conversely, misalignment between values and investments can quietly erode both financial and emotional capital. Intentional investing means having established alignment between family members as to what the family invests in, why, and how. The family investment policy then becomes a living expression of identity, and a compass that ensures both purpose and prosperity endure across generations.

*NOTE: This article is based on our research paper 'Intentional Investing: Aligning Family Investment Practices with the Family Enterprise System', presented at the 2025 IFERA Conference, the 2025*