



Fair vs. Equal Exercise

Explanation: This worksheet is simply a tool for exploration, and intended for conversation purposes only. The decisions surrounding equal versus fair can confound your best intentions. Though we can't devise a simple worksheet that addresses every scenario, we feel this one facilitates conversation, and allows the family to engage in constructive dialogue around this sensitive subject.

Instructions:

1. For each of the categories below, select the appropriate point between 1 and 10 that best describes your observations and experiences with your active and involved children. (1 = strongly disagree / 10 = strongly agree)
2. Add up the scores given by the active and involved children, and divide that number by 100. This gives you the Engagement Percentage.
3. Divide the Engagement Percentage by the number of active and involved children, to determine the Weighted Engagement Factor.
4. The Weighted Engagement Factor will be used to discuss the equitable share each active and involved child may merit.

Accomplishment

Active and involved children <i>have not</i> achieved measureable results in growing the operation.					Active and involved children <i>have</i> achieved measureable results in growing the operation.				
1	2	3	4	5	6	7	8	9	10

Tenure

Active and involved children <i>have not</i> committed several years to the family operation.					Active and involved children <i>have</i> committed several years to the family operation.				
1	2	3	4	5	6	7	8	9	10

Financial Commitment

Active and involved children <i>are not</i> financially invested in the family operation.					Active and involved children <i>are</i> financially invested in the family operation.				
1	2	3	4	5	6	7	8	9	10

Physical Commitment

Active and involved children <i>have not</i> contributed immeasurable hours to helping the family operation succeed and prosper.					Active and involved children <i>have</i> contributed immeasurable hours to helping the family operation succeed and prosper.				
1	2	3	4	5	6	7	8	9	10

Education

Active and involved children <i>do not</i> have the education (formal, informal, prescribed and extracurricular) to grow both with the operation, and in the operation.					Active and involved children <i>do</i> have the education (formal, informal, prescribed and extracurricular) to grow both with the operation, and in the operation.				
1	2	3	4	5	6	7	8	9	10

Skills / Abilities

Active and involved children <i>do not</i> have extraordinary skills/abilities specifically to grow and develop the operation.					Active and involved children <i>do</i> have extraordinary skills/abilities specifically to grow and develop the operation.				
1	2	3	4	5	6	7	8	9	10

Performance Reviews

Active and involved children <i>have not</i> received expected (and/or exceeds expected) performance evaluations.					Active and involved children <i>have</i> received expected (and/or exceeds expected) performance evaluations.				
1	2	3	4	5	6	7	8	9	10

Sacrifice

Active and involved children <i>have not</i> personally sacrificed for the 'good of the family operation.'					Active and involved children <i>have</i> personally sacrificed for the 'good of the family operation.'				
1	2	3	4	5	6	7	8	9	10

Vision

Active and involved children <i>do not</i> have a long-term vision for, and the leadership skills necessary to grow the operation.					Active and involved children <i>do</i> have a long-term vision for, and the leadership skills necessary to grow the operation.				
1	2	3	4	5	6	7	8	9	10

Team Building

Active and involved children <i>do not</i> have the ability to create a team atmosphere and manage a unique group of individual to achieve common goals.					Active and involved children <i>do</i> have the ability to create a team atmosphere and manage a unique group of individual to achieve common goals.				
1	2	3	4	5	6	7	8	9	10

Step-by-Step Guide

1. If children are financially invested in the operation, subtract the current value of their ownership interest from the fair market value to determine the remainder available for division. **(If not financially invested, skip # 1)**

i.e.: \$30 million operation – 5% (\$1.5m) ownership interest
= \$28.5m remainder to divide

2. Using the instructions above, determine the Weighted Engagement Factor.

i.e.: If two active children score: $65 / 100 = .65$ Engagement Factor
 $.65 / 2$ active children = $.325$ Weighted Engagement Factor

3. Determine an equal share value (remainder to divide, divided by the total number of children – active and inactive).

i.e.: \$28.5 million (remainder to divide) / 4 total number of children
= \$7.125 million each.

4. Add 1 to the Weighted Engagement Factor (#2 above) to find Weighted Engagement Multiplier.

i.e.: 1 + .325 Weighted Engagement Factor = 1.325 Weighted Engagement Multiplier

5. Multiply the equal share value (#3 above) by the Weighted Engagement Multiplier to determine an estimated equitable share for each active child in the operation.

i.e.: \$7.125 million x 1.325 (Weighted Engagement Multiplier) =
\$9.44 million (estimated equitable share per active child)

6. Multiply the number of active children by the Estimated Equitable Share / active child.

i.e.: \$9.44 million (estimated equitable share per active child) x 2 active children =
\$18.88 million to active children.

7. From the remainder interest (#1 above), subtract total equitable shares to active children (#6 above). The remainder will be divided equally among inactive children.

i.e.: \$28.5 million remainder interest - \$18.88 million to active children
= \$9.62 million to be divided among inactive children.
\$9.62 million / 2 inactive = \$4.81 million per inactive child.

8. Check your math. Then consider the ramifications. Plan the conversation, and meet with active (and inactive) family as appropriate to discuss results.

i.e.: \$28.5 - \$18.88 million (\$9.44/ active child x 2) = \$9.62 million / 2 inactive children =
\$4.81. Using this example: Active children receive an equitable distribution based on a
weighted contribution of \$9.44 million. Inactive children receive an equitable
distribution based on a remainder interest of \$4.81 million.

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