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**PROTECTING FAMILY HARMONY:**  
WHY LARGE FORTUNES WITHOUT  
STRUCTURE ALMOST INEVITABLY  
CREATE CONFLICT



**One sober insight emerges again and again: the larger a family fortune, the less its future is a purely financial question. The decisive uncertainty factor is the human being. Wealth amplifies psychological dynamics, expectations, and questions of power. The larger the family, the harder it becomes to make sound decisions reliably. Those who recognise this early and establish a clear framework protect not only assets, but also family relationships and harmony, as well as the family's ability to act.**

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## **WHY DECISIONS IN FAMILIES BECOME MORE DIFFICULT WITH EVERY GENERATION**

As soon as several people have legitimate interests, a coordination problem arises. In the first generation, a strong entrepreneurial personality can usually decide many things alone. From the second and third generation onward, influence is distributed across several family branches. As a result, goal conflicts increase, even when everyone wants what is best.

The point at which psychological perception and entitlement thinking diverge is particularly conflict-prone. Research and case analyses on inheritance disputes show a recurring pattern: in estate situations, it is often not the number that escalates, but the interpretation. Who feels respected, who feels passed over, who sees themselves as a contributor, who as entitled. In addition, many assets cannot be sensibly divided, such as key shareholdings, real estate, or collections. This makes wealth and estate questions a trigger or amplifier of conflict.

There is also a simple mathematical effect: with every additional person, communication effort, misunderstandings, coalitions, and group formation increase. What still seems solvable in a small circle becomes, in a large family, a system that discusses — but cannot decide in a stable way.

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## **WHY EVEN WELL-INTENTIONED FAMILY BODIES OFTEN DO NOT HOLD UP**

Many wealthy families establish family councils, periodic family assemblies, or informal rules. Such elements are sensible and are described in the governance literature as building blocks. In practice, however, one sees that the mere existence of committees does not replace a decision architecture that still works when situations become emotional and when people do not act ideally.

This is precisely where one must reckon with human constants — not as reproach, but as realism — because these factors occur in large families and are particularly powerful when it comes to wealth:

- Self-interest and short-term personal priorities
- Envy and rivalry between family branches
- Coalitions and group formation that change depending on the occasion
- Shifts in power due to new spouses and patchwork constellations
- Different places of residence, cultures, and world-views, or
- The tendency to prioritise short-term advantages over long-term stability

This creates, in many families, a constellation with too many decision-makers and no instance that steers decisively in critical situations. Typical dysfunctions include, for example:

- Deadlock, because nobody wants to carry responsibility, but many want a say
- A revenge dynamic, because votes create winners and losers, or
- Shadow leadership, because information and influence are unevenly distributed

In such an environment, wealth decisions become worse, slower, and more emotional. Research on the psychology of wealth also suggests that prosperity can impair perceptions of entitlement, distance, and empathy.

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## **GRADUAL DESTRUCTION OF WEALTH – AND THE POINT WHEN IT IS TOO LATE**

Wealth is rarely destroyed in a single event. More often, the loss is gradual. Damage arises over years through many small decisions or through the absence of decisions. Typical mechanisms include:

- Decision deadlock within the family or the family business
- Distributions that are not aligned with a long-term plan, made under pressure from individual claim groups
- Forced sales because liquidity is lacking or disputes escalate
- Loss of control through fragmentation of shareholdings and real estate, or
- Bad investments because oversight, competence, or clear processes are missing

Tipping points regularly occur when the family system is already under stress and legal consequences can arise at the same time. Such situations are emotionally charged, time-critical, and often legally complex. Typical examples include:

- Deaths and estates, because expectations and ambiguities erupt simultaneously
- Divorces, because assets become part of a conflict system with different objectives
- International residences, because multiple legal and tax systems can apply at once
- Emigration/relocation, because tax and legal starting positions can change abruptly, or

- New spouses, because lines of influence, loyalties, and claims are reordered

International wealthy families, in particular, often underestimate how quickly mobility can become a major risk. In Europe, attention has been drawn for years to problems in cross-border estates, including double taxation and divergent rules depending on the state.

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## **WHAT STRUCTURING WITH FOUNDATIONS OR TRUSTS FUNDAMENTALLY CHANGES**

A structure is not merely a legal vessel. It changes the rules of the game and thereby creates clear framework conditions.

The decisive step is that a founder or settlor defines their intent in a way that still applies even if the family later becomes divided. Purpose, guardrails, distribution rules, protective mechanisms, and governance are defined in advance. Wealth is thus taken out of day-to-day bargaining and transferred into a system that remains capable of acting even under stress.

At its core, a decision-capable instance is created that protects and enforces the framework. This is less about power than about responsibility. Comparable to the bridge of a ship: there is clear accountability for course, rules, and risk management, while expertise and feedback from the crew are systematically integrated. The difference from a family without structure is that decisions do not depend on shifting coalitions. The benefit is both practical and psychological:

- Assets stay together because fragmentation and forced sales can be prevented
- Poor decisions become less likely because rules and controls apply

- Conflicts become less existential because not every issue must be renegotiated
- Family members can contribute without contribution automatically becoming a power struggle

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### **FAMILY INVOLVEMENT — CONTROLLED AND QUALIFICATION-BASED**

A sound structure does not exclude capable family members. On the contrary, it creates roles in which competence can be effective without destabilising the overall system. Typical, proven elements include:

- Defined participation in investment and real-estate committees, advisory boards, management, or supervisory boards
- Clear information rights and transparency regarding asset position and strategy
- Control mechanisms that secure independence and professionalism
- Step-by-step involvement of the next generation through education, rules, and responsibility

In this way, the family can be involved without the system tipping into rivalry, deadlock, or group formation.

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### **WHICH ASSETS TYPICALLY BELONG IN THE STRUCTURE**

In many cases, only part of the assets is deliberately transferred — namely the part that should not be fragmented or that is particularly in need of protection. With very large fortunes, another consideration often applies: diversification is pursued not only economically, but also structurally and across jurisdictions. This means that not necessarily all

assets are bundled into a single structure or jurisdiction; instead, a core portfolio requiring stability and control is structured deliberately. Typically, this includes:

- Shareholdings in operating companies and holding structures
- Larger real-estate portfolios and development projects
- Strategic investments and core assets that secure majorities and control
- Sufficient liquid assets for stability, maintenance, and opportunities

Other assets can remain private if that suits lifestyle, entrepreneurship, or personal freedom. The decisive line is: what must remain stable long-term, and what may remain individually disposable.

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### **DESIGN GOVERNANCE SO THAT WEALTH BENEFITS THE FAMILY — AND DOES NOT HARM IT**

The most demanding part is not the vessel, but the governance. The goal is a framework that provides security without creating perverse incentives. Typically, this includes:

- Clear rules on family support in accordance with the founder's or settlor's intent
- Mechanisms that promote performance, education, and personal responsibility
- Protection against destructive dynamics, for example via distribution logic and oversight
- Diversification and professional management with a coherent, comprehensible strategy
- Conflict and crisis protocols so that stress does not lead to emergency decisions

The overriding goal remains the preservation of family peace. A structure should not only protect assets, but above all protect the family and future generations.

Many internationally renowned entrepreneurial and wealthy families secure key assets through foundations or trusts in order to ensure continuity, clear responsibilities, and a governance model that remains viable across generations.

Publicly well-documented examples include, among others, the structures around the Prince of Liechtenstein Foundation (Princely Family of Liechtenstein; LGT), the Martin Hilti Family Trust (Hilti), the Inter IKEA Foundation and the Interogo Foundation (IKEA), the Robert Bosch Stiftung (Bosch), the Novo Nordisk Foundation (Novo), the Carlsberg Foundation (Carlsberg), the Knut and Alice Wallenberg Foundation as an anchor shareholder of Investor AB (Wallenberg sphere), the Tata Trusts (Tata Group), the Milton Hershey School Trust (Hershey), and the Fondation Hans Wilsdorf (owner of the Rolex group).

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## **TAILOR-MADE IMPLEMENTATION AND THE ROLE OF FS+P**

Every case is different — above all because of residences, asset types, family constellations, and international connections. Standard solutions rarely work sustainably.

Dr. Marco Felder, Franz Berger, and Anna Stark support the conception and implementation of such structures at FS+P AG with a focus that is decisive for families: governance that works in real life. This includes the clean translation of the founder's or settlor's intent, transparency, control, the inclusion of suitable family members, preservation and protection of assets — without wealth becoming a risk to relationships or to the development of individual family members.

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## **CONCLUSION**

When a family becomes large enough that wealth decisions must be negotiated regularly, a structural risk arises. This risk does not disappear through good intentions. It increases the longer one waits.

Foundations and trusts can significantly change the starting position because they create decision-making capacity, protect the founder's or settlor's intent, and de-dramatise conflicts. Those who truly prioritise family harmony therefore think first not in individual measures, but in a stable framework.

Please feel free to contact us confidentially and without obligation — if desired, in coordination with your existing advisers.

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