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## Wealth & Well-Being — What Wealthy Families Can Learn from Sovereign Government Policies and Measuring Human Progress

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Countries are beginning to incorporate well-being theory — citizens thriving across multiple domains of life<sup>1</sup> — into their policy making. This is a model that families would benefit from trying to understand and emulate. In this article we describe the many encouraging developments in countries around the world and, drawing lessons from these macro shifts, we then provide suggestions for families to consider in creating their own well-being framework. On May 22, 2006, David Cameron, at that time Prime Minister of the United Kingdom, addressed the Google Zeitgeist's audience with a new political agenda:

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<sup>1</sup> Adler, A. and Seligman, M., Using wellbeing for public policy: Theory, measurement, and recommendations, International Journal of Wellbeing (2016).

*Gross domestic product. Yes it's vital. It measures the wealth of our society. But it hardly tells the whole story.*

*Wealth is about so much more than pounds, or euros or dollars can ever measure. It's time we admitted that there's more to life than money, and it's time we focused not just on GDP, but on GWB — general well-being.*

*Well-being can't be measured by money or traded in markets. It can't be required by law or delivered by government.*

*It's about the beauty of our surroundings, the quality of our culture, and above all the strength of our relationships.*

*Improving our society's sense of well-being is, I believe, the central political challenge of our times.<sup>2</sup>*

Cameron was not the first one to bring to people's attention the limitations of the world-wide adopted GDP (Gross Domestic Product) as the measure of a nation's progress but he might have been the earliest western, first world prime minister to act on it.

### SOME HISTORICAL BACKGROUND ON GDP

GDP is attributed to Simon Kuznets who in 1934 succeeded at calculating National Income in the United States and who later in 1971 was awarded the Nobel Prize for his work. The purpose was assessing the impact of the Great Depression and measuring progress to reactivate the economy.<sup>3</sup>

An underlying assumption in using National Income as sole metric was that Income was a good in-

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<sup>2</sup> Cameron, D. David Cameron's speech to Google Zeitgeist Europe 2006, The Guardian (2006).

<sup>3</sup> Kuznets, S., National Income, 1929-1932, Senate doc. no. 124, 73d Cong., 2d sess. (1934).

indicator of Production (Income equals Production).<sup>4</sup> In 1942, the first in the series of U.S. gross national product (GNP) statistics was issued to support President Roosevelt's administration in assessing the capacity of the economy to support the U.S. citizens' recovery from the depression and supply means for fighting the Second World War.<sup>5</sup> But the war took a toll in many countries producing instability and discriminatory trade practices that discouraged international trade. In 1944 leaders of the 44 allied nations gathered at the Bretton Woods Conference in New Hampshire and entered in a cooperation agreement to facilitate progress and foster peace. For this purpose, GDP became the standard metric to measure national economies.

The thinking was always that improving economic well-being was key to creating lasting world peace: international trade would create jobs that would allow citizens of all the countries to access adequate food, housing, medical care, and other needs. In line with this philosophy, the Bretton Woods party established the International Monetary Fund — for collaborative international monetary exchange — and the Bank for Reconstruction and Development — now part of the World Bank — to lend money to European countries devastated by the war.

Arthur Okun, economist, Yale professor and member of the Council of Economic Advisers during John F. Kennedy's term, determined the negative correlation between GDP and unemployment in 1962: for every point of increase in unemployment, real GDP decreases by 3%. Okun's Law<sup>6</sup> has informed policy by feeding the belief that increasing GDP would decrease unemployment<sup>7</sup> hence, the better the country and its citizens do.

On December 1999, the Bureau of Economic Analysis declared that GDP was its achievement of the century and remarked “*very positive effect on*

*America's economic well-being, by providing a steady stream of very useful economic data.”*<sup>8</sup> However, during the recovery after the tech bubble and the 9/11 attack crisis, although GDP rose between 2002 and 2006, personal income fell.<sup>9</sup>

During the Great Recession of 2007-2009, the longest recession since Second World War, the correlation also broke when real GDP fell only 4.3% while unemployment grew 5% peaking at 10%.<sup>10</sup> At this point, several governments were already changing gears about how to measure real national progress while Nobel Prize economist Joseph Stiglitz called for ending the GDP Fetishism.<sup>11</sup>

## Divergent Paths

*Our Gross National Product [. . .] counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads and armored cars for the police to fight the riots in our cities. It counts Whitman's rifle and Speck's knife, and the television programs which glorify violence in order to sell toys to our children. Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile.*<sup>12</sup> Robert F. Kennedy, March 18, 1968.

Disagreements about GDP being the right indicator of progress have always existed. Kuznets himself ar-

<sup>4</sup> Marcuss, R. and Kane, R., U.S. National Income and Product Statistics Born of the Great Depression and World War II, Bureau of Economic Analysis, Survey of Current Business 87, pp. 32-46 (2007).

(“The proposition that for a country as a whole, goods and services produced must equal incomes earned by its residents is precisely true only for a closed economy. In the 1930s, when statistical measures were being formulated and international flows were relatively small, the identity was retained by using a measure of production derived from labor and capital supplied by U.S. residents wherever the production takes place — that is, gross national product rather than gross domestic product.”) p. 32, n. 2.

<sup>5</sup> See Note 4, above.

<sup>6</sup> Okun, Potential GNP: Its Measurement and Significance, Proceedings of the business and economics statistics section, American Statistical Association, Washington, D.C., 98-103, p. 2 (1962).

<sup>7</sup> Bernanke, B., Recent Development in the Labor Market, National Association for Business Economics Annual Conference, Washington, D.C. (Mar. 26, 2012).

<sup>8</sup> Daley, W., GDP: One of the Great Inventions of the 20th Century, Press Conference Announcing the Commerce Department's Achievement of the Century, December 7, 1999, Survey of Current Business (Jan. 2000).

<sup>9</sup> Labonte, M., Why Has Household Income Fallen in the Current Expansion While GDP Has Risen?, CRS Report for Congress, Library of the Congress (Aug. 30, 2006).

<sup>10</sup> Rich, R., The Great Recession, Federal Reserve History (2013).

<sup>11</sup> Stiglitz, J., GDP Fetishism, The Economist's voice (Sept. 2009).

<sup>12</sup> Kennedy, R., Remarks at The University Of Kansas (Mar. 18, 1968).

gued that it “*should not be used as a measure of living standards or well-being.*”<sup>13</sup>

In the 1970s, Bhutan’s king introduced the concept of happiness as a policy making metric. In the 1990s, the Royal Government of Bhutan decided to implement a Gross National Happiness Budget with the purpose of promoting social cohesion in the midst of a domestic social fracturing and border security crisis.<sup>14</sup>

Rather than a single metric to measure happiness, Bhutan’s government uses a construct of 33 indicators that assess education, health, living standards, ecological diversity and resilience, governance, time use, cultural diversity, community vitality, and psychological well-being.<sup>15</sup> These metrics do not account for the country’s economy but household per capita income as a measurement of living standard.

In 1990, Mahbub ul Haq, former financial, commerce and planning minister of Pakistan and a special advisor to the United Nations Development Program administrator, set up the Human Development Report Office.

Mr. Haq and his team created the Human Development Index supplementing economic performance with measurements of health (life expectancy at birth), education (years of schooling) and standard of living (gross national income per capita).<sup>16</sup> The Human Development Report has been issued every year since launched over 30 years ago and served a key role in policy making affecting developing countries. The Human Development Index has been expanded to include carbon dioxide emissions and its footprint.<sup>17</sup>

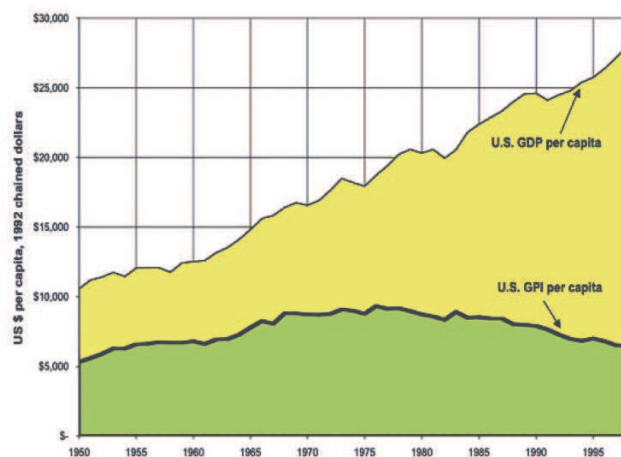
<sup>13</sup> Dorgan, B., *Rethinking the Gross Domestic Product as a Measurement of National Strength*. United States Senate. Committee on Commerce, Science, and Transportation. Subcommittee on Interstate Commerce, Trade, and Tourism, p. 2, Washington, D.C. (Mar. 12, 2008).

<sup>14</sup> Munro, L., *Where Did Bhutan’s Gross National Happiness Come From? The Origins Of An Invented Tradition*, Vol. XLVII, no. I, *Asian Affairs*, p. 86 (2016).

<sup>15</sup> Anielski, M., *An Economy of Well-Being*, New Society Publishers, p.66 (Canada 2018).

<sup>16</sup> United Nations Development Programme, *Human Development Report 1990*, p. iii (Oxford University Press 1990).

<sup>17</sup> United Nations Development Programme, *Human Development Report 2020 Press Release* (New York, Dec. 15, 2020).



Source: Data derived from spreadsheets from the U.S. Genuine Progress Indicator (GPI) for 1999. *Redefining Progress*, Oakland, CA.

### USA GDP growth (per capita) versus GPI (per capita), 1950 to 1999<sup>18</sup>

In 1996, Redefining Progress, a San Francisco-based economic think tank produced the Genuine Progress Indicator (GPI) intended to provide a more comprehensive measure of progress of a society or country.<sup>19</sup> GPI is designed to measure sustainable economic welfare rather than economic activity alone. It includes 26 indicators that account for income inequality, include non-market benefits that are not included in GDP and identify and deduct inefficiencies and negative impact in the environment and social life such as environmental degradation, human health effects, and loss of leisure time. The chart shows a comparison of the historical U.S. GDP and GPI per capita making it evident that increasing GDP does not necessarily mean increasing well-being.

The states of Maryland<sup>20</sup> and Vermont have implemented a GPI metric and other states, including Hawaii,<sup>21</sup> are in the process of doing so.

The 21st century sparked the interest of many leaders, professionals, and organizations that progressively focused more on the importance of people-

<sup>18</sup> Anielski, M. and Soskolne, C. *Genuine Progress Indicator (GPI) Accounting: Relating Ecological Integrity to Human Health and Well-being*, Chapter 91, p. 90, in *Just Ecological Integrity: The Ethics of Maintaining Planetary Life* (Rowman & Littlefield Publishers Inc., 2002).

<sup>19</sup> See Note 18, above, at p. 12.

<sup>20</sup> Maryland’s information is available online at <https://dnr.maryland.gov/mdgpi>.

<sup>21</sup> A Bill for an Act. Relating to a Sustainable Economic Development Strategy. House of Representatives. Twenty-ninth legislature, State of Hawaii (2018).



centered government and policies. Some of their initiatives are focused on improving the measurement of a society's progress, hence finding a better-than-GDP metric. Others are focused on measuring well-being based on the now developed knowledge of well-being and under the belief that well-being is the ultimate goal of individuals and societies. Other governments have taken direct action into creating regional and/or national programs and budgets. We will expand on this in sections below.

## GDP, a Great Invention But Overused

GDP is a great metric but its application as indicator of progress and well-being has been oversimplified or misused. Several reasons can be identified for this. One of them is related to the arguable validity of equating economic progress to living standard and well-being. Those who do not accept this premise point out that the risk of using the wrong metric is not just the wrong measurement but, mostly, that policy is wrongly informed: *The G.D.P. [. . .] has not only failed to capture the well-being of a 21st-century society but has also skewed global political objectives toward the single-minded pursuit of economic growth.*<sup>22</sup>

The list of factors that GDP misses in its calculation is extensive, as Robert Kennedy argues in his remarks to the University of Kansas. Most prominent are depletion of the environment carried by economic activity, changes in human capital and health, and social and economic inequalities.<sup>23</sup> When looking at these variables, the argument is that *"GDP not only falls short in evaluating critical aspects of quality of life, but it also triggers and fosters activities that are contrary to long-term societal well-being:]"*<sup>24</sup>

*For instance, "developing countries may be encouraged to allow a foreign mining company to develop a mine, even though the country receives low royalties, even though the environment may be degraded, and even though miners may be exposed to health hazards," the report says, "because by doing so G.D.P. will be increased."*<sup>25</sup>

There is also an aggiornamento issue: the historical adjustment of the country's stability and priorities. It

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<sup>22</sup> Gertner, J., The Rise and Fall of G.D.P. The New York Times Magazine (May 13, 2010).

<sup>23</sup> Giannetti, B., Agostinho, F., Almeida, C. and Huisingh, D., A review of limitations of GDP and alternative indices to monitor human wellbeing and to manage eco-system functionality. 87 Journal of Cleaner Production, 11-25, p.12 (2015).

<sup>24</sup> See Note 23, above.

<sup>25</sup> Olly, D., GDP Seen as Inadequate Measure of Economic Health, The New York Times (Sept. 14, 2009).

was sound in the 1930s and following decades to focus on economic growth and its indicators based on the impacts of the depression and wars. However, once the economy achieved a certain level of maturity, societies grow wealthier and well-being is less related to income and more related to other variables such as social life, enjoyment, and meaning.<sup>26</sup>

Together with the change in the nation's economic strength, there is also the growth in the understanding and measurement of well-being that allows us now to measure well-being directly. *"After all, if economic and other policies are important because they will in the end increase well-being, why not assess well-being more directly?"*<sup>27</sup>

## WHAT CAN WEALTHY FAMILIES LEARN FROM THIS HISTORIC EVOLUTION?

Wealthy families have historically been very intentional to maximize the financial return of their assets, and protecting their wealth from loss to creditors, taxes and investment declines. Family business are frequently the principal focus of attention. More often than not, however, these efforts are undertaken with little attention to defining the purpose of financial and business assets, and even less attention is devoted to the family members' humanity or well-being. The reasons for this disconnect are beyond the scope of this article. However, some similarities can be drawn from the way countries' resources have been managed for the purpose of understanding historical behaviors, assessing the status quo, and offering insights.

Literature, research, and political discourse agree that the purpose of a nation's wealth is to support its society's well-being. Likewise, what's the purpose of family wealth if not to support the individual family members' well-being? Criticism that is applied to the short-sighted nature of using GDP for policy-making is equally applicable in the family context discussed below:

**a. Increase in financial return does not necessarily mean increase in family member's well-being.** Parents are frequently very involved and engaged with their children's well-being while they are at home and during college. Typically, children enjoy good housing, healthcare, education, and cultural opportunities, develop hobbies of interest, and frequently travel domestically and internationally. However, once the children

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<sup>26</sup> Diener, E. and Seligman, M., Beyond Money. Toward an Economy of Well-Being. Vol. 5, No. 1, American Psychological Society. Psychological Science in the Public Interest, p. 2 (2004).

<sup>27</sup> See Note 26, above.

graduate from college, parents become much less intentional, frequently leaving children on their own under the belief that they need to forge their path and prove they are productive and engaged in their lives.

At this point, some children experience a sudden decrease in their material means that translates into an environment that may decrease their well-being, such as living in areas that are not environmentally safe or have higher crime and corruption. Some children even fall prey to addiction and other behavioral problems that require tremendous emotional and relationship management to overcome, money aside. Problems associated with income and wealth inequality, which have been significantly growing in the U.S. and other countries, can also be experienced within a wealthy family. We have suggested for example that families supplement any child's income that is below the 95th percentile of the U.S. average income to ensure access to appropriate housing, food and healthcare that constitute the baseline of their well-being.<sup>28</sup> This yearly income supplement has a current impact on the children's well-being, rather than waiting for a lump sum at a later age.

**b. Focus on financial return might skew family decisions toward a single-minded pursuit of increasing wealth.** Warren Buffett's daughter once asked her father for money to fix up her kitchen — *“not to go to the beach for six months.”*<sup>29</sup> Her father told her to get a loan from a bank like other people. It is common for parents to want their children to be productive, typically meaning that the parent wants the child to be a high earner. This, as we have seen with national GDP, is not well correlated to human development and individual well-being.

While there is a correlation between money and life satisfaction, well-being is a much more complex construct. According to Dr. Martin Seligman, considered the father of positive psychology,<sup>30</sup> well-being is a construct of five main domains: positive emotion, engagement, positive

relationships, meaning, and achievement.<sup>31</sup> Wealth, according to Dr. Seligman, should be in service of well-being — it has a supporting role as a resource.<sup>32</sup> It is more than sophistry to keep the proper alignment of these concepts — i.e., seek positive relationships, meaning and achievement, which may lead to wealth, rather than seek wealth, in hopes of it leading to positive relationships, meaning and achievement.

We encourage wealthy families to think in terms of equality of well-being and to move away from a ridged adherence to financial equality. Equality of well-being is a more comprehensive construct because it encompasses all of the domains identified above. The economics of supporting the well-being of unique individuals is by definition different for each of them.

**c. Trigger and foster activities that are contrary to the long-term well-being of individuals.** *“If you're the child and you see your father with all this dough and you get some but not much, I just can't help thinking resentment will enter in”*<sup>33</sup> Buffett's daughter mentioned in an interview. She added: *All my life my father has been teaching us. Well, I feel I've learned the lesson. At a certain point you can stop*<sup>34</sup>

Parents' focus on their children being economically successful on their own may come with an emotional loss and difficult relationships. For example, incentive trusts are a common, but misguided, instrument employed by some parents to coerce their children into being “productive.” These trusts are designed, for example, to distribute proportional to the beneficiary's earned income as reported on the beneficiary's income tax return.<sup>35</sup> These devices frequently incentivize children to pursue careers that are not meaningful to them but that allow for high pay — i.e., diverting beneficiaries from their path to happiness, meaning and achievement.

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<sup>28</sup> Franklin, R. and Tordini, C., *Well-Being Supported by Family Wealth — A Foundation to Flourish*, 45 Tax Mgmt. Est., Gifts & Tr. J., No. 3 (May 7, 2020).

<sup>29</sup> Kirkland, R., *Should you leave it all to your children?*, Fortune (Sept. 29, 1986) (Kirkland).

<sup>30</sup> Positive psychology is recognized as the scientific study of the conditions that enable individuals and communities to flourish. Seligman & Csikszentmihalyi, *Positive Psychology: An Introduction*, American Psychologist, pp. 5-14 (February 2000). The field is founded on the belief that people want to lead meaningful

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and fulfilling lives, to cultivate what is best within themselves, and to enhance their experiences of love, work, and play.

<sup>31</sup> Seligman, *Flourish*, p. 24 (Atria 2011) (hereinafter “Flourish”).

<sup>32</sup> See *Flourish*, Note 31, above at p. 221.

<sup>33</sup> See Kirkland, Note 39, above.

<sup>34</sup> See Kirkland, Note 39, above.

<sup>35</sup> While there is much debate around the topic, most likely extrinsic monetary rewards decrease intrinsic motivation. See Pink, Daniel H., *DRIVE: The Surprising Truth about What Motivates Us* (New York: Riverhead Books, 2009).

In working with families, we propose to replace the use of incentive trusts by a well-being trust.<sup>36</sup> We also encourage families to shift to a model of distributions throughout the arc of the parents' life rather than at death.

Similarities to families focusing mainly on financial return can also be drawn to the reasons why GDP has long been overused by governments and policy makers. Focusing on economic growth was critical for the United States to recover from the Great Depression and World War II, but once the economy reached a certain level of maturity, other issues needing attention started to emerge.

Wealth opens Pandora's Box, in a way. Once a certain level of material means has been achieved, other higher level human needs start to emerge and claim attention.<sup>37</sup> A family that succeeds in having wealth substantially beyond the basics, has the means to support these evolving higher level needs. Arguably the family has the responsibility to support such needs because the wealth gives space for them to surface. This cycle represents the family's economic system maturing and reaching a natural and healthy outcome, similar to a country such as the U.S. maturing beyond the historic rationale for GDP as the sole metric of determining progress.

Families can also benefit from the vast progress that social science has achieved in terms of understanding well-being and its measurement. Positive psychology is now a maturing science. Its many scholars and professionals have established an abundant and growing pool of empirical data and research that proves well-being theory can help individuals lead meaningful and fulfilling lives and cultivate what is best within themselves.<sup>38</sup>

<sup>36</sup> See Franklin, R. and Tordini, C., Note 28, above.

<sup>37</sup> In 1943, Abraham Maslow published *A Theory of Human Motivation*. In this paper, he presented a pyramid chart to identify a hierarchy of human needs and motivations. On the bottom of the pyramid are physiological needs, shelter and clothing, etc., above this he lists safety and security followed by love and belonging, esteem, self-actualization and self-transcendence. According to Maslow, if a person's physiological needs are unsatisfied in an extreme fashion, all other needs may become non-existent or pushed to the background. When the essentials are satisfied, the person's motivations will become dominated by the next higher need. Maslow, A.H., *A Theory of Human Motivation*, *Psychological Review*, Vol. 50, p. 370 (1943) (accessible here); Maslow, *The Farther Reaches of Human Nature*, *Journal of Transpersonal Psychology* (Spring 1969).

<sup>38</sup> See, e.g., *Positive Psychological Science*, edited by Donaldson, Csikszentmihalyi, Nakamura, 2 ed. (Routledge, 2020) ("A recent systematic review of the peer reviewed theory-driven psychological science literature found that there have now been more than 860 published scientific studies conducted across five continents and 63 countries.").

Families can learn from the history of countries, their government and policies and shift their philosophy, approach, and legacy ahead of the curve:

- GDP was born in 1934 with the intention to support recovery and growth. It grew for about 60 years until it was declared the best invention of the century in 1999.
- About 30 years after its invention, in 1968, Robert Kennedy was already being vocal about the limitations of GDP and the need to focus on "what makes life worthwhile." Professionals of a broad array of backgrounds launched a search for better metrics.
- Another 30 years later, positive psychology and well-being theory was institutionalized when Martin Seligman became president of the American Psychological Association in 1998.<sup>39</sup>

— In the last 20 plus years, well-being theory has been adopted by governments, educational institutions, military institutions, judicial systems, leadership theory, and more. Many metrics have been created to measure social progress and well-being. Countries such as New Zealand have started institutionalizing well-being budgets and other initiatives.

*It is sound to predict that in the next 10 years or so there will be a significant shift in the way governmental policies are set, how they allocate their budgets and how their progress is measured. Families can be more nimble than governments and more quickly focus on what supports their members' flourishing.*

## NEW WAYS TO MEASURE PROGRESS AND INFORM POLICY

Most of the GDP critics agree that there is the need to complement GDP with additional metrics rather than replace it. With that purpose, several organizations have created metrics and significant work has been done to find ways to measure well-being in a comprehensive way. Additionally, many countries have already taken steps to incorporate some of these metrics into their policy-making and, in some cases, have even created "well-being" budgets.

Some of the main initiatives that inter-governmental organizations and countries have pur-

<sup>39</sup> Dr. Martin Seligman launched the field of positive psychology with his presidential speech to the American Psychological Society in 1998. Seligman, *President's Address from The APA 1998 Annual Report*, appearing in the August, 1999, *American Psychologist*. See also Seligman, *Authentic Happiness*, chapt. 2 (Atria 2002); Flourish, Note 34, above, at p. 5.



sued and implemented are summarized below. The purpose of this section is not to provide an extensive description of their work but to provide a sense of the sovereign commitment to improving the well-being of their people and to finding sensible structures and purposes that justify shifting from their historical course of action. Billions of dollars have been invested so far across the world to support this realignment. This is just another indicator of the importance of these commitments.

In 2007, the European Commission,<sup>40</sup> European Parliament,<sup>41</sup> Club of Rome,<sup>42</sup> The Organization for Economic Co-operation and Development (OECD)<sup>43</sup> and World Wide Fund for Nature<sup>44</sup> hosted the “Beyond GDP” Conference<sup>45</sup> with the goal of clarifying which indices are most appropriate to measure progress — as clear as GDP but more inclusive of environmental and social aspects of progress, and how these can best be integrated into the decision-making processes. The opening remarks by Jose Barroso, president of the European Commission explained:

*For many years now, there has been a growing consensus that Gross Domestic Product is not, on its own, sufficient to guide high quality, policy and business decisions. The European Union is facing today a whole series of global and new challenges,*

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<sup>40</sup> The European Commission is the executive branch of the European Union, responsible for proposing legislation, implementing decisions, upholding the EU treaties, and managing the day-to-day business of the EU.

<sup>41</sup> The European Parliament is one of three legislative branches of the European Union and one of its seven institutions. Together with the Council of the European Union, it adopts European legislation, commonly on the proposal of the European Commission. The Parliament is composed of 705 members.

<sup>42</sup> The Club of Rome consists of one hundred full members selected from current and former heads of state and government, UN administrators, high-level politicians and government officials, diplomats, scientists, economists, and business leaders from around the globe. It was created to address the multiple crises facing humanity and the planet. Drawing on the unique, collective know-how of its 100 members, the group seeks to define comprehensive solutions to the complex, interconnected challenges of our world.

<sup>43</sup> The Organization for Economic Co-operation and Development (OECD) is a unique forum where the governments of 37 democracies with market-based economies collaborate to develop policy standards to promote sustainable economic growth. The OECD provides a setting where governments can compare experiences, seek answers to common challenges, identify good practices, and develop high standards for economic policy.

<sup>44</sup> The World Wide Fund for Nature is an international non-governmental organization founded in 1961 that works in the field of wilderness preservation and the reduction of human impact on the environment. It was formerly named the World Wildlife Fund, which remains its official name in Canada and the United States.

<sup>45</sup> European Commission, “Beyond GDP” Conference, Brussels (Nov. 19, and 20, 2007).

*in order to safeguard our prosperity and wellbeing.*<sup>46</sup>

This conference kicked off a significant number of initiatives,<sup>47</sup> research and analysis<sup>48</sup> including the production of multiple well-being indexes and frameworks that led to a milestone in October 2019 when the Council of the European Union<sup>49</sup> adopted conclusions on the Economy of Wellbeing.<sup>50</sup>

*The Council today adopted conclusions on the Economy of Wellbeing inviting the member states and the Commission to include an economy of wellbeing perspective horizontally in national and Union policies and to put people and their wellbeing at the centre [sic] of policy design.*

*The concept of the Economy of Wellbeing is a priority for the Finnish presidency. Its core claim is that while people’s wellbeing is a value in itself, it is also vitally important for the Union’s economic growth, productivity, long-term fiscal sustainability and societal stability.*<sup>51</sup>

OECD held a two-day international workshop on Putting Well-being Metrics into Policy Action,<sup>52</sup> in October 2019. They rolled out a framework for inclusive policy making.

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<sup>46</sup> Barroso, J. Beyond GDP — Opening Speech, Brussels (Nov. 19 2007).

<sup>47</sup> In 2008, French President Nicolas Sarkozy launched the so-called Stiglitz-Sen-Fitoussi Commission, chaired by Nobel Prize-winning economist, Professor Joseph E. Stiglitz of Columbia University. The main motive behind setting up the Commission on the Measurement of Economic Performance and Social Progress, or the Stiglitz Commission, was the increasing gap between the standard measures of growth, inflation and unemployment, and the way socio-economic trends were perceived by public opinion. In 2010, The Stiglitz Report was published with the main theme being about moving beyond GDP.

<sup>48</sup> For further illustration refer to The European Commission Website.

<sup>49</sup> The Council of the European Union or The Council, is formed by government ministers from each EU country who meet to discuss, amend and adopt laws, and coordinate policies. The ministers have the authority to commit their governments to the actions agreed on in the meetings. Together with the European Parliament, the Council is the main decision-making body of the European Union.

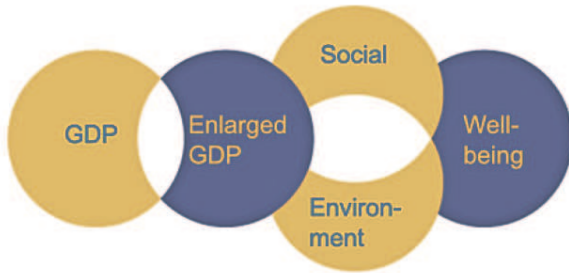
<sup>50</sup> European Council. Draft Council conclusions on the Economy of Wellbeing. Brussels (Oct. 17, 2019).

<sup>51</sup> European Council, Economy of Wellbeing: the Council adopts conclusions, Press Release (Oct. 24, 2019).

<sup>52</sup> OECD, Well-being Metrics into Policy Action, Paris, (Oct. 3-4, 2019).

The framework includes several indicators aggregated by theme, as follows:<sup>53</sup>

## Indicators



### European Commission “Beyond GDP” Indicators<sup>54</sup>

- **Gross domestic product (GDP):** *The Gross Domestic Product is the sum of the market value of all final goods and services produced in a country in a given period. GDP per capita has traditionally been used to illustrate a country’s material standard of living, but today its usage is meeting increased criticism.*
- **Enlarged GDP:** *Enlarged GDP indicators start from GDP but adjust for some of its limitations to deliver a more comprehensive overview of a country’s wealth or well-being.*
- **Social indicators:** *Social indicators give insights into a broad range of social issues, concerns and trends such as life expectancy, poverty rates, unemployment rates, disposable income, and education levels, etc. They are also used to give insights into broader notions of social progress.*
- **Environmental indicators:** *Environmental indicators cast light over the state and development of issues such as natural resources, environmental pollution and waste, as well as related issues such as human health.*
- **Well-being:** *Well-being indicators are used to broadly illustrate people’s general satisfaction with life, or give a more nuanced picture of well-being in relation to their jobs, family life, health conditions, and standards of living.<sup>55</sup>*

Many European countries have already taken steps to include well-being metrics into policy making. The

following list provides a few examples of them but it is not complete:



### Scottish National Performance Framework<sup>56</sup>

**Scotland’s National Performance Framework:**<sup>57</sup> the framework measures Scotland’s progress against the national outcomes that describe the kind of Scotland it aims to create. To do this, it uses indicators that give a measure of national wellbeing. They include a range of economic, social, and environmental indicators.

**U.K.’s What Works Network:**<sup>58</sup> a network of nine independent What Works Centers (including the What Worlds Center for Wellbeing) covering the public sector at national and local levels. These centers use evidence-based decision-making processes for policies and public spending of more than £250 billions. In addition to working with the What Works Centers, the initiative supports government in developing policy, programs, and services in a fundamentally different way: continually testing and evaluating to improve the effectiveness of public spending.

**The All-Party Parliamentary Group on Wellbeing Economics:**<sup>59</sup> an officially recognized cross-party group of Members of Parliament and Lords in the U.K. Parliament seeking to include well-being in making policy decisions and for setting a vision for the United Kingdom.

**Ireland’s Equality Budgeting:**<sup>60</sup> focused on enhancing the government’s decision-making frame-

<sup>53</sup> European Commission “Beyond GDP” Indicators.

<sup>54</sup> See Note 53, above.

<sup>55</sup> A variety of reports and tools are available at the European Council’s website. European Commission, Beyond GDP, Reports and Tools.

<sup>56</sup> Scottish Government, National Performance Framework.

<sup>57</sup> See Note 56, above.

<sup>58</sup> U.K. Government website (Gov.uk). What Works Network.

<sup>59</sup> All-Party Parliamentary Group on Wellbeing Economics’ website.

<sup>60</sup> Government of Ireland website. Department of Public Ex-



work by analyzing and informing the expected impact of budgetary measures. The focus is on a wide range of areas such as income, health and education, and how outcomes differ across gender, age, ethnicity and so on.

**Finland’s Economy of Wellbeing:**<sup>61</sup> “The economy of well-being approach means that a virtuous circle of policies is created where well-being and economic growth reinforce each other and profit both people and society as a whole.”<sup>62</sup> The focus of spending is to improve citizens’ well-being upon the belief that when their well-being increases, people are healthier, more innovative and productive, work better, and pay taxes.

**Italy’s Equitable and Sustainable Well-being:**<sup>63</sup> Italy uses an extended GDP approach complementing the indicators of production and economic activity with well-being indicators and measures of inequality and sustainability. In 2016, the “Equitable and sustainable well-being” became part of the economic planning which poses the Economic and Financial Document<sup>64</sup> to include an analysis of the trends for selected indicators as well as an impact analysis of proposed policies. Every year in February, a monitoring report is presented to the Parliament.

Well-being Goals



Wales’ Well-being Goals<sup>65</sup>

penditure and Reform. Equality Budgeting.

<sup>61</sup> Ministry of Social Affairs and Health. Finland. Increased wellbeing and economic growth through the economy of wellbeing.

<sup>62</sup> See Note 61, above.

<sup>63</sup> Istituto Nazionale di Statistica, The Measurement of Well-Being.

<sup>64</sup> The Economic and Financial Document is the main instrument for financial and economic planning, as it sets out the public finance and economic strategies for the mid-term. It is submitted to the Government and approved by the Parliament.

<sup>65</sup> Welsh Government, Wales’s First “Future Generations Report” by the Future Generations Commissioner for Wales.

**Wales’s Wellbeing of the Future Generations:**<sup>66</sup>

Well-being of the Future Generations (Wales) Act became Welsh law in 2015. It measures seven pre-defined well-being goals with the purpose to improving the social, economic, environmental, and cultural well-being of Wales. It aims to make the public entities think more about the long-term, work better with people and communities and each other, look to prevent problems, and take a more collective approach.

One of the interesting features of the Welsh program is that the initiative is led by an independent Commissioner, responsible for publishing a five-year report on the state of achievements.



**Canadian index of Wellbeing**<sup>67</sup>

In the Americas, some initiatives include the **Canadian Index of Wellbeing** aimed to use “well-being as the lens for decision-making in Canada.”<sup>68</sup> The index tracks changes in eight quality of life categories or domains including: community vitality, democratic engagement, education, environment, healthy populations, leisure and culture, living standards, and time use. This information is used by policy shapers, government leaders, media, community organizations, and everyday Canadians to understand trends in Canadian wellbeing; advocate for change that responds to their needs and values; and make decisions, based on solid evidence, as to whether Canadians’ well-being will improve.

**Santa Monica’s Wellbeing Project:** In the United States, while there is no national initiative, in 2013 the City of Santa Monica, California, launched the Santa Monica’s Wellbeing Project,<sup>69</sup> which set out to define wellbeing, to measure it, and to use the results to overhaul government’s structure and decision-making.

<sup>66</sup> See Note 65, above.

<sup>67</sup> See Note 65, above.

<sup>68</sup> Canadian Index of Wellbeing.

<sup>69</sup> Office of Wellbeing, Community & Cultural Department, The Wellbeing Project Summary (May 2013).

The Wellbeing Project helped Santa Monica use growing partnerships between government and non-governmental organizations. The city also used the index to build on established efforts that track progress in environmental health, open space and land use, economic development and housing, and human dignity.<sup>70</sup>

Creating the Wellbeing Index also helped the city of Santa Monica establish the current state of wellbeing of the city and its residents; discover new ways to include city administrative and program data, resident experience data, and social media data to better understand wellbeing; use wellbeing dimensions to frame its strategic plan and to inform all policy and program decisions; and help other cities integrate wellbeing into their measurement and planning through the dissemination of Santa Monica's results and outreach efforts.

**India's Ease of Living Index:** As a first step in the direction of moving beyond GDP, the Indian Ministry of Housing and Urban Affairs has developed the **Ease of Living Index** to measuring quality of life of its citizens across Indian cities, as well as economic ability and sustainability. It is as well expected to evolve into a measurement tool to be adopted across districts. The expectation is that this more holistic measure will provide more accurate insights into the state of development of the Indian economy.<sup>71</sup>

## National Well-Being Budgets

As previously noted, Bhutan has pursued happiness as a state policy, and in fact was the first country to do so. In its 1996-1997 National Budget, Bhutan introduced publicly the concept of Gross National Happiness (GNH) to take priority over the Gross National Product in policymaking. However, GNH had been implemented in early 1970s as a development strategy that yielded significant gains to the country.<sup>72</sup>

For the government of Bhutan, GNH is *"holistic, recognizing people's spiritual, material, physical or social needs; it emphasizes balanced progress; it views happiness as a collective phenomenon; it is both ecologically sustainable, pursuing well-being for both current and future generations, and equitable,*

*achieving a fair and reasonable distribution of well-being among people."*<sup>73</sup>

In 1999, with support from the United Nations Development Program, Bhutan published the Bhutan 2020: A Vision for Peace, Prosperity and Happiness, making GNH the "central development concept" but subordinated it to the "overarching goal" of "the future independence, sovereignty and security of our nation state."<sup>74</sup>

The Gross National Happiness Commission was created to ensure that all projects in the national development plan were 'GNH cleared.'

The GNH Index includes nine domains: (1) Psychological wellbeing, (2) Health, (3) Education, (4) Time use, (5) Cultural diversity and resilience, (6) Good governance, (7) Community vitality, (8) Ecological diversity and resilience, and (9) Living standards.

*We strive for the benefits of economic growth and modernization while ensuring that in our drive to acquire greater status and wealth we do not forget to nurture that which makes us happy to be Bhutanese. Is it our strong family structure? Our culture and traditions? Our pristine environment? Our respect for community and country? Our desire for a peaceful coexistence with other nations? If so, then the duty of our government must be to ensure that these invaluable elements contributing to the happiness and wellbeing of our people are nurtured and protected. Our government must be human.*

*The Madhavrao Scindia Memorial Lecture delivered by His Majesty the King, 23 December 2009.*<sup>75</sup>

On May 30, 2019, **New Zealand** stepped farther forward than any other western country and adopted "The Well-Being Budget." According to the New York Times, "all new spending must advance one of five government priorities: improving mental health, reducing child poverty, addressing the inequalities faced by indigenous Maori and Pacific islands people, thriving in a digital age, and transitioning to a low-emission, sustainable economy."<sup>76</sup> The new budget is a stunning government document to read, starting

<sup>70</sup> Rand Corporation, Measuring Wellbeing to Help Communities Thrive.

<sup>71</sup> Kapoor A. and Debroy B., GDP Is Not a Measure of Human Well-Being, Harvard Business Review, Economic Development (Oct. 4, 2019).

<sup>72</sup> Munro, L., *Where Did Bhutan's Gross National Happiness Come From? The Origins Of An Invented Tradition*, Vol. XLVII, no. I, Asian Affairs, p. 71 (2016).

<sup>73</sup> Sithey, Thow, & Lia, Gross national happiness and health: lessons from Bhutan, Bull World Health Organ, 93(8): 514 (Aug. 15, 2015).

<sup>74</sup> Planning Commission, Bhutan 2020: A Vision for Peace, Prosperity and Happiness. Thimphu: RGOB, p. 43 and 45 (1999).

<sup>75</sup> Centre for Bhutan Studies, An Extensive Analysis of GNH Index (2012).

<sup>76</sup> Graham-McLay, New Zealand's Next Liberal Milestone: A Budget Guided by 'Well-Being,' New York Times (May 22, 2019).

with the introduction by Minister of Finance Hon Robertson:<sup>77</sup>

*To set the priorities for this Budget, we used evidence and expert advice to tell us where we could make the greatest difference to the wellbeing of New Zealanders. Each bid for funding required a wellbeing analysis to make sure that funding would address those priorities. We have broken down the silos of government to support programmes that bring together agencies to solve the big challenges of our time.*

*In this first Wellbeing Budget our priorities are tackling long-term challenges facing New Zealand.*

\* \* \*

*We do not claim perfection in this first Wellbeing Budget, and we will not fix everything in one go. This is just the start of a programme of change. The Coalition Government is committed to the wellbeing approach, now and in the future. I want to thank all three parties that make up this Government for their commitment, and to doing the right thing for New Zealand for generations to come. Budget 2019 is a landmark moment, and I am proud to present it.*

New Zealand's 2020 Wellbeing Budget continued: “[. . .] and in some cases expanding, the work those priorities started. The Wellbeing Budget 2020 priorities were selected using a collaborative and evidence-based approach. Evidence from the Treasury's Living Standards Framework (LSF) was combined with advice from sector experts and the Government's Chief Science Advisors to identify areas where the greatest opportunities exist to make a difference to New Zealanders' wellbeing”<sup>78</sup>

An example from New Zealand's budget is helpful because it reveals the self-efficacy<sup>79</sup> of the approach. This example is from their priority to transform their economy for a low-emissions future and addresses KiwiRail.

<sup>77</sup> Government of New Zealand, The Treasury, The Wellbeing Budget 2019 (May 30, 2019).

<sup>78</sup> Government of New Zealand. Budget Policy Statement 2020, Wellbeing budget priorities.

<sup>79</sup> “Self-efficacy is the belief in one's ability to influence events that effect one's life and control over the way these events are experienced.” Tugsbaatar, Albert Bandura, Self-Efficacy for Agentic Positive Psychology (Positive Psychology.com).

#### Transforming the Economy Example in New Zealand

##### Recognize need and benefits to improvement:

“Rail has huge benefits for New Zealanders' wellbeing, including unlocking regional economic growth, reducing emissions and traffic congestion and preventing deaths and injuries on our roads. The Coalition Government is revitalising rail, with a substantial investment in KiwiRail...”

##### Invest to change:

“Budget 2019 and the Provincial Growth Fund (PGF) provide \$1 billion to support the redevelopment of KiwiRail.”

##### Visualize a better end result and be pulled into a brighter future:

“This funding will enable KiwiRail to become resilient and reliable through substantial investment in rail infrastructure, purchasing new locomotives and wagons, and beginning the process to replace the Interislander ferries.”

##### Assess and Adjust:

“KiwiRail will report on progress on implementing the Government's vision for rail and further funding will be considered in Budget 2020.”

##### Honestly recognize past (and future) mistakes and missteps and learn from it:

“After 155 years of rail in New Zealand, the historic misstep of privatisation and the managed decline of the past decade, securing these assets for the future is especially gratifying”

New Zealand's Well-Being Budget 2019, at pages 84 and 85.

## WHAT CAN WEALTHY FAMILIES LEARN FROM THESE COUNTRIES?

First, families can emulate the lesson of taking responsibility. David Brooks' February 13, 2020, New York Times editorial explained that Nordic countries take responsibility for a “lifelong development model to instill the mode of consciousness people need to thrive in a complex pluralistic society.”<sup>80</sup> Essentially, they take responsibility for their citizens' well-being. Families can do that too.

Second, families can learn from these countries to question their goals and approach with wealth and resources, and learn why these countries have taken a more intentionally human focus. Prime Minister Cameron believed that improving the United Kingdom's sense of well-being should be the central political challenge. The rationale driving this sovereign realignment may likewise inform the approach of families.

Third, from looking at what these countries are doing, it is clear that the future of family wealth management should be in line with family members' well-being. There is a growing world-wide understanding that financial resources are a means to support human development. There is no justifiable reason to believe that families would be better off if their material resources continued being managed with a narrow focus on financial return. Simply put, wealth — like other resources — is to support well-being.

Fourth, families can learn to develop a framework for family well-being. Many parents are intentional about their legacy. They invest time and money understanding the legacy they are passing on to the coming generations. Legacy goes well beyond their material assets. It includes values, family's culture and traditions, religion and spiritual beliefs, charities, and more. The family's well-being should be considered

<sup>80</sup> Brooks, D., This Is How Scandinavia Got Great, Editorial, New York Times (Feb. 13, 2020).



part of the parents' legacy to their children too, and it should be intentionally designed.

*Well-being is affected by values, beliefs, culture, health, material resources, relationships and social support, among other things. All these factors are tied to the individual as well as the family's nature. Each family member's well-being cannot escape the family's nature and therefore each family member's well-being is a component of the parents' legacy. With that in mind, parents can draw from countries' initiatives and design a strategy that focuses on family members' well-being. What is important about this is the intentionality of the family in pledging their wealth to flourishing. This is broader and deeper than the "Giving Pledge"<sup>81</sup> because, while it may very well include a charity component, it is also a moral commitment to use family assets to develop and support family members' flourishing.*

This framework allows us to shift the family discussions to a more positive and constructive space. Instead of searching for weaknesses and flaws in the family dynamic, we focus individuals in identifying strengths and sources of potential upon which the family can build over time. A family well-being framework is crafted following the collective decision of what is important to family well-being.

For example, a family whose members are committed to support sustainability can make a plan to invest in making the family and its members more sustainable. This plan might include moving all the members to electric cars, fitting their houses solar panels and other green components, buying enough renewable certificates to offset their carbon footprint, supporting businesses that promote a clean environment, including airlines that offer carbon offsets, and engaging in green community projects.

A plan like this (see Exhibit I for more details) offers multiple benefits. Sustainability not only touches on the family and its individuals' sense of meaning, engagement, and achievement, but it also creates a healthier environment that improves each individual's well-being.

Following the example of countries, a family well-being framework includes the following components: a list of goals or "priorities," a "budget," "implementation" strategy, and a "measurement" plan which are discussed below.

**a. Priorities:** A well-being framework includes the domains and indicators selected by the fam-

ily as their priority, which can be informed by the research and empirical data from well-being theory. The domains could encompass a wide array of interests and priorities such as mental health, education, environment, culture, leisure, social connection, meaning and positive emotion, etc. The indicators would provide a way to measure the involvement, experience and progress of family members in each of the domains. Again, they are defined by the family based on what is important for them and each domain can include several indicators. For example, culture can be objectively indicated by number of museum visits and concerts/other cultural events attended in the year, as well as lectures, readings, family experiences exploring cultural diversity, and so on.

**b. Budget:** A budget component allows the family to be intentional about their allocation of resources to support the well-being priorities. This endeavor should be informed by the results of the measurement of well-being via quantification of the indicators. As OECD General Secretary, Angel Gurría said in his opening remarks to the Putting Well-being Metrics into Policy Action Workshop, "If it ain't in the budget, then it is not a priority."

**c. Implementation Plan:** The implementation component feeds from the budget and measurement components and focus on designing, funding, and engaging the family in the steps of an action plan to increase family members' well-being.

**d. Measurement/Assessments:** A measurement component includes the indicators selected to assess, measure progress, and quantify the well-being of the family, according to the domains selected by the family as their priority for well-being. A starting point could very well be a feedback loop by family members but there are numerous well-being assessment tools available, to measure both objective and subjective well-being, and many of them for free.<sup>82</sup> Families can also adopt a system similar to Wales using an external party to assess and report well-being to better ensure accuracy of measurement.

While this framework might seem complex and difficult to put into practice, it is probably already practiced at least in part by many families, except perhaps not as intentionally designed and focused as described above. For example, every year families decide on a vacation plan, a traveling destination, restaurants they

<sup>81</sup> The Giving Pledge is a movement of philanthropists who commit to giving the majority of their wealth to philanthropy or charitable causes, either during their lifetimes or in their wills.

<sup>82</sup> See, e.g., the assessment tools available at <https://www.authentic happiness.sas.upenn.edu/testcenter>.

want to visit, social events to attend and to offer at their home, extra-curricular classes for their children, and much more. We are suggesting to supercharge the efforts with more intentionality and thoughtfulness.

The well-being framework is also scalable. That is, the family might identify one priority to focus on during the first year, such as ensuring that each family member has good quality healthcare insurance. In each subsequent year, they might add an additional priority, while also assessing and adjusting the strategy as they incrementally build the framework.

Families can take full ownership of this plan and they can seek professional assistance in the process. Families' well-being strategy and framework need not follow the structure suggested above. This article is not intended to develop or suggest a unique framework. The purpose of this article is to invite parents, families, and estate and wealth planning practitioners to consider expanding their structure of wealth management to be more inclusive of their members' well-being and to build a legacy of flourishing.

## CONCLUSION

Families and the estate planning professionals assisting them, like the countries implementing well-being theory, can implement a framework that recognizes their family members and clients' needs and potential and takes ownership and responsibility for improvement. At its core, it is building within the family the idea of a positive, human focused, well-being framework that is supported with the family's financial wealth and other resources. By periodically measuring well-being in their members, they can help to ensure that their intentional actions are having a positive impact. If national governments can do this, so can families and their advisors!

## EXHIBIT I

### *Smith Family's Green Energy Activities and Investment Plan*

As a family, we are collaborating on the following green energy activities and investment plan:

(1) **Environmental and Social Attributes** — We believe that our well-being and that of our communities, nation and planet are inseparable and directly connected to nature and the environment. As family, we will dedicate time and resources to living sustainably, to the use of sustainable renewable energy and reducing environmental pol-

lutants such as carbon dioxide and other gas emissions that cause the greenhouse effect.

(2) **Sustainable Renewable Energy** — When possible, we will use energy and invest in energy derived from sustainable renewable sources, including the following sources: (i) solar energy; (ii) wind energy; (iii) geothermal energy; (iv) renewable biomass combustion; (v) renewable biomass gas combustion; (vi) combustion of biofuel derived from renewable biomass or from other sources such as microalgae; (vii) green hydropower; and (viii) green marine and hydrokinetic renewable energy.

(3) **Investments** — As a family, we will begin to invest in companies and projects that (i) have at least 25% of their gross revenue devoted to the production, operation, storage, management or retail distribution of sustainable renewable energy at a commercial scale, (ii) own or involve real property, including lands and improvements or parts thereof, as well as any addition equal to not less than 25% of the area of the main facility devoted to the production of sustainable renewable energy, (iii) have at least 25% of their gross revenue derived from the design, manufacture, sale, maintenance or operation of machinery and equipment necessary for the production of sustainable renewable energy, or (iv) have at least 25% of their gross revenue derived from the design, manufacture, sale, maintenance or operation of products designed to use sustainable renewable energy and/or that otherwise reduce gas emissions that cause the greenhouse effect, such as electric automobiles and other forms of electric transportation.

(4) **Personal Use** — As a family, over one year period, we will shift over to electric cars and retro fit personal homes with solar panels and other green technology (strategically taking advantage of any tax benefits associated with the same), and any new construction will be designed to achieve zero emissions. During this time, we will retain a consultant to help design a long-term personal plan of action to live more sustainably.

(5) **Carbon Offsets** — As a family, we will begin to calculate our carbon footprint and buy carbon offsets to achieve a level of carbon neutrality. We will, in time, try to achieve carbon zero living.

(6) **Government and Regulation** — Through the family’s private foundations and social welfare organizations, we as a family, will study and prepare a plan of action towards being prosocial in funding projects aimed at reducing environ-

mental pollutants such as carbon dioxide and other gas emissions that cause the greenhouse effect and lobbying for the same through governing bodies.