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**FIDUCIARY ASSET MANAGEMENT,
THE FORM OF TRANSGENERATIONAL WEALTH
TRANSFER**

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**FIDUCIARY ASSET MANAGEMENT,
THE FORM OF TRANSGENERATIONAL WEALTH
TRANSFER**

Ph.D. dissertation

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1. Introduction

1.1. The place of the present research in the literature

The aim of my doctoral thesis is twofold. The first is to interpret and analyse the fiduciary asset management form of transgenerational wealth transfer in the context of family/family type business succession. On the other hand, I aim to explore the process model of the fiduciary asset management (trust) structure of generational wealth transfer.

This doctoral research does not aim to describe a phenomenon or a process, but to explore the underlying causal links and to examine the conditions of its application and the process of its adaptation in the socio-economic institutional context. The object of the research analysis is to explore the interrelationships, interactions and dynamics of individual-level variables - values, attitudes, behaviours, motivations, attitudes and actions - and contextual institutional variables - organisational, corporate, economic, legal. Examining the functionality of the institution of fiduciary asset management (trust) as a separate wealth management form from the person of the settlor and the beneficiary in the succession of family businesses.

I have identified four essential attributes of the fiduciary asset management form and process model of transgenerational wealth transfer that mark the place of the research in the professional literature: the definition of the content of the family business, the relevance of business succession and transgenerational wealth transfer, and the content of fiduciary wealth management.

Research on *family firms* has become a focus of interest in recent decades and has become a research area in its own right (Gersick et al., 1997, Chrisman et al., 2008, Benavides-Velasco et al., 2013). There is no single definition of family firms (Astrachan et al., 2002, Zellweger, 2017). This is because the family is a complex and heterogeneous variable. It can have multiple economic and non-economic purposes at the same time (Chrisman et al., 2012). The actual family content varies in almost all societies.

According to Zellweger (2017), *family business succession* has three characteristics: the idiosyncratic, individual nature of the *succession* process due to different family and business situations; the wider range (number) of people involved in the process; and the emotional attachment of the incumbent, which can distract from rational decision-making. According to Ward's 30/13/3 statistics on family business succession, variance theory, family businesses inevitably fall into the three-generation survival trap (Ward, 2011, Zellweger et al., 2012). One reason for this is the extent to which the family makes longevity and transgenerational value creation its own. A transgenerational transfer is particularly risky if the family character of the business does not start to emerge at the right time, because the founder starts to involve the successor generation too late and the 'family character' does not emerge in time. The second reason is that each succession situation can be considered unique because the natural situation of the asset (business) and/or of the persons on the settlor or heir side is atypical and characterised by uniqueness.

Transgenerational wealth transfer is an institution related to succession, the intergenerational transfer of family wealth in the process of succession. It is a strategy of intergenerational wealth preservation and wealth creation. It is a critical success factor for the succession of the family business. Succession can be understood in a dynamic model (Habbershon & Pistrui, 2002). It is not a one-off act but a succession of conscious or instinctive steps. The exit and

transgenerational wealth transfer alternatives that are actually feasible are determined by the internal operating characteristics of the family business and the combination of external environmental factors.

According to Langbein (1997), trusts began to be used consciously as a means of family inheritance from the end of the Middle Ages. It has been the dominant instrument of intergenerational wealth transfer ever since. In cases where (1) the transferor has significant wealth or (2) a complex/complicated family situation. The main advantage of a trust in these situations is that it settles the future relationship between the contracting parties (the settlor and the trustee), but most importantly between the third party named in the contract, the beneficiary and the settlor. It creates a relationship with the beneficiary which cannot (or is difficult to) be rearranged. It allows the assets (property) to be preserved, held intact and segregated from the beneficiary and external parties (creditors) (Hansmann, & Mattei, 1998). Trusts are a mixed form of transgenerational asset transfer. It is a form of asset transfer where the ownership of the asset (property) is transferred for a fixed period of time and is managed according to contractually defined purposes. If the asset is a (family) business, the transfer implies active asset management in addition to preservation.

The present research investigates the question of what logics are activated in decisions about transgenerational wealth transfer and the choice of fiduciary asset management (trust) as a form of transgenerational wealth transfer, and how, what factors and variables are at play in the specific situations of individual actors. For the subject of my research, this means that I interpret fiduciary asset/wealth management (trust) as an institutional form of transgenerational wealth transfer and as a structural process of generational wealth transfer (succession). Since the research objective is complex, focusing on causality (cause-effect) relationships and processes, I consider any method that can provide a valuable answer to the research question to be important. In my research, my basic philosophy of science is pragmatic. My main principle is that qualitative and quantitative methodologies effectively complement each other (Johnson & Onwuegbuzie, 2004, Azorin & Cameron, 2010, Mitchell, 2018). I believe in the compatibility of philosophical paradigms and methodologies, whose weight (priority) is determined by the research questions posed to the central phenomenon of the research.

1.2. The research problem

Based on my review of international literature, it has become clear to me that *there are no explicit models for* the management of family business assets and the process of transgenerational wealth transfer. The reasons for this can be found in the different structures of national economies, socially different traditions and legal systems. There are succession systems with different degrees of freedom and regulation, representing different legal structures and norms.

One of the reasons for the research problem is the different terminology used and the different perception of the basic variables. (1) There is *no exact definition* for family businesses. Researchers try to define the definition along criteria between which there is no clear dichotomy. Research identifies two dimensions. Components, ownership and control can be operationalized in terms of definition (Sharma, 2004, Chrisman et al., 2005, Astrachan et al., 2002), but the strength and content of influence, heterogeneity of families and firms, make this impossible. (2) There is no clear definition of the content of the family firm. Research generally *treats* the family firm *as a monolithic unit*, where family owners have the same interests, and this distinguishes it from non-family owners. This approach overlooks the diversity and

heterogeneity of firms and members of the ownership set. In many cases, families have interests in more than one business and the participation and nature of family members' involvement may in fact be divergent, varying over time and very different from family to family. (3) *The concept of family and development trajectories vary by national economy.* The definition of family is heterogeneous across societies and countries, depending on social norms and values. The de facto concept of family is not necessarily the same as its formal, de jure definition. Another reason is the different development trajectories of capitalism, which have led to the emergence of a family business sector with different levels of importance in each national economy, and a different legal institutional framework and corporate ownership structure in each country.

Another problem of the research is the specific social, economic and legal environment in Hungary. (1) The Hungarian SME and family business development trajectory is different *from* the *organic development* trajectory like as other former socialist countries. Organic development was destroyed by the socialist economic establishment, and with the sudden collapse of the system, the opportunity was opened up again to reintroduce family businesses and the 'old-new' institutional forms of the economy. In the 1990s, thousands of private enterprises were created at an accelerating rate, either from the top down, as a result of spontaneous privatisation, the dismantling of state ownership, or from the bottom up, in the form of enterprises built up on the basis of their own ideas and business concepts. Growth slowed down in the early 2000s. During this period, founders were still in charge of the businesses, and this is still the case today, even though the generation that changed the system in the 1990s had already reached retirement age.

(2) *Lack of institutional experience.* Legal structures for some succession options other than the statutory succession system were missing. These only began to take institutional form in the 2000s. The institution of fiduciary asset management (trusts) as a form of transgenerational succession was introduced into the Hungarian legal system by Act V of 2013 (Civil Code). The possibility to establish asset management foundations, private equity funds and different forms of non-profit foundations was opened even later (2019). There is little experience on the role of institutional forms supporting intergenerational wealth transfer in the succession of family businesses and in inheritance strategies. (3) *The possibilities of intergenerational wealth transfer are determined by the specificities of domestic development.* There is a lack of experience of change and transition, and a systematic lack of preparedness, because the first generational transition is only now taking place. Firms are unprepared for change, with levels and dimensions of professionalisation (Stewart & Hitt, 2012) varying significantly or not at all. The economic environment is turbulent, and the impact of digitalisation and Industry 4.0 is disrupting traditional, interdependent value chains and creating a circular platform economy.

Due to the different terminology, the different understanding of the basic variables and the specific social, economic and legal development in Hungary, it was not possible to conduct a systematic review of the literature in the classical sense, to interpret and adopt a general model. The literature review therefore was carried out on the basis of a typology I have outlined. In the conceptual network, transgenerational wealth transfer is the process of intergenerational transfer of wealth management, and the fiduciary asset management formulas (trusts) are the institutional framework for wealth management. Its design and operation are determined by family and corporate attributes, external environmental and internal operational indicators of transgenerational wealth transfer. In my doctoral dissertation, I summarize and synthesize research according to this line of thought (my typology) and identify critical points that need to be understood and addressed in order to apply trust wealth management as a transgenerational

wealth management form. Following my summary conclusions, I have set up a process model of the fiduciary trust structure related to the succession of family businesses.

1.3. Theoretical foundations

The institution of fiduciary asset management (trusts) is at the interface of economics and law. Behind the contractual form or unilateral trust, the essence is asset management for a purpose. I also had to bear in mind two other important aspects. On the one hand, trusts can be used for a variety of economic purposes (transactional, tax, succession, social purpose, etc.). The area of my research is the intersection of institutional and family/family-type business succession and the generational wealth transfer. I have explicitly limited my study of fiduciary wealth management to this area. On the other hand, fiduciary asset management (trusts) are a new legal institution in Hungary, which is mainly similar to the Anglo-Saxon trust. In my research, I therefore also took into account the available legal literature, especially its economically relevant concepts and rules. I have tried to place all this in a framework that is both professionally justifiable and supports my own theoretical position.

To theoretically ground my research, I explored the intersection of fiduciary asset management and transgenerational wealth transfer. Instead of the legal interpretation of trusts (in rem vs. contractual), I focused primarily on their functionality and economic content. Accordingly, fiduciary asset management (trust) is a transfer of the right to dispose of property to a trustee for a specific period of time and for a specific purpose or task. In substance, I interpret fiduciary asset management (trust) as a time-shifted forward exchange transaction where a fiduciary obligation arises between the two dates of transfer and release. The fiduciary obligation covers the preservation and appreciation of the total value of the transferred assets, the aggregate value of the portfolio of assets.

The second dimension was to examine the process of transgenerational wealth transfer in the context of family business succession. My starting point was the common attributes of family firms in the literature, namely their transgenerational nature and their long-term survival intention (Chua et al., 1999, Zellweger, 2017). In order to logically explore the applicability of fiduciary wealth management, I sought to identify, parameterize and pre-systemize the variables that I believe influence the process of transgenerational wealth transfer and the choice of the wealth management form. By grouping the variables according to objective environmental factors and specific internal characteristics, I have sought to establish a focus (focal interpretation points) and identify specificities. Using these, I have further nuanced the applicability of trusts as a transgenerational wealth transfer form and sought to situate them in a system of alternatives to family succession-related wealth transfer forms. Drawing on the literature and professional source materials, and following my preliminary theoretical framework and the typology of literature I have established critical points that contribute to the understanding of fiduciary asset management as a transgenerational trust (wealth management) form and its application.

1.4. The aim of the research. Research questions

The aim of my research is to provide a theoretical overview of the role of trusts in the process of transgenerational wealth transfer, by establishing a typology of variables that determine the functionality of the institution and the process of its creation. On the other hand, using qualitative and quantitative research methods, I aim to provide a comprehensive and in-depth picture of the transgenerational wealth transfer strategies and transfer processes of the founders

of private businesses in Hungary. My aim is to empirically investigate the suitability of the relatively new form in the Hungarian legal system and the reasons and circumstances under which it is used for the transgenerational transfer (succession) of assets of private enterprises.

Research on fiduciary asset management is currently mainly concerned with the legal consequences, while research on the economic content, the causal (cause and effect) relationships and the analysis and investigation of the substance of fiduciary asset management is lagging behind. Yet, from a more rigorous point of view, the essential content of the institution is an economic act, the management of assets for a limited period of time. I considered it my primary objective to take the first exploratory steps in researching this topic. Based on the case studies, to build a theory interpreting the domestic context and to interpret the general problem definitions of international research in the Hungarian context. In the course of my research, I sought to answer the following questions: (1) In what internal, organisational and external, environmental context is transgenerational wealth transfer embedded? (2) Which indicators determine the choice of the institutional form of fiduciary asset management (trust) / wealth management for transgenerational wealth transfer? (3) Can trust wealth management be a realistic and effective alternative to succession and transgenerational wealth transfer in Hungary?

The research question and the related hypotheses and propositions were developed through multiple iterations. In particular, I had to pay attention to the limited availability of quantitative data, the relative novelty of the institution of fiduciary asset management (trusts), the adaptability of international experiences to Hungary and the fact that the use of trusts in generational wealth transfer is at the interface of law and economic approaches. Based on these findings and in parallel with the progress in the literature review, I repeatedly reconsidered and refined the main research question. I formulated my research question as follows.

What are the factors that help to build and sustain a fiduciary asset management (trust) for the purpose of transgenerational wealth transfer?

I explore the research question with the following propositions and hypotheses.

The likelihood of using a fiduciary asset management (trusts) as a transgenerational wealth transfer form increase if:

Proposition 1.a.: No potential successor with the right skills or motivation.

Proposition 1.b.: Family members cannot agree on the transfer of property and the distribution of management positions in the company.

Proposition. 2: The family business portfolio includes more than one company.

H1: The majority of the assets are shares (corporate investment, business).

Effects that can have an impact on the process and time needed to establish a fiduciary asset management as a transgenerational wealth transfer form:

Proposition 3: A holding company structure facilitates the transfer of asset.

Proposition 4: The degree of corporate professionalisation facilitates the successful completion of the establishment process.

Proposition 5: The role of the general and non-tradeable intangible asset group in the business of the enterprise affects the financial and time resource requirements of the transfer.

Proposition 6: The existence and elaboration of a family agreement (constitution) reduces the financial and time resources needed for its establishment.

Due to the impact of the operation of fiduciary asset management as a transgenerational wealth transfer form:

Proposition 7.a.: The introduction of fiduciary asset management (trusts) reinforces the professionalisation of the family ownership subsystem.

Proposition 7.b: The introduction of trusts weakens the family corporate identity of family beneficiaries.

Proposition 7.c: The introduction of fiduciary asset management weakens the ability to use family resources in the company for the benefit of the company.

Proposition 8.a.: The introduction of fiduciary asset management will strengthen the further professionalisation of the business.

Proposition 8.b: The size and operation of at least one firm in the family business portfolio requires professionalisation.

Proposition 9: The introduction of fiduciary asset management has a value-preserving and value-enhancing effect on the assets under management.

H2: In the case of fiduciary asset management, the portfolio of assets under management is dominated by corporate investments (shares).

1.5. Applied methodology

Previous research has not provided a comprehensive overview of the use of fiduciary asset management (trusts) as a tool for transgenerational asset transfer in Hungary. Therefore, I aimed at applying a research method that would provide a coherent and clear picture of the family/family type businesses founders' perception of generational wealth transfer (succession-inheritance) and based on this, their strategic aspirations for the construction and sustainable operation of the fiduciary asset management form. For these reasons, I decided to use a *mixed research method*. I investigated the functionality of fiduciary asset management in the context of transgenerational wealth transfer through two phenomena, the indicators (variables) that determine the process of wealth transfer and the characteristics of the assets under management. Given the complexity of the topic, I used the *convergent and parallel* mixed research method (Creswell, 2014). The qualitative and quantitative research approaches could be conducted in parallel through well-chosen case studies and targeted queries of databases.

This choice was also supported by my *pragmatic philosophical* approach to science, according to which the causal relationships behind certain socio-economic-corporate phenomena and the mechanisms that operate them cannot be investigated using quantitative methods alone. I affirm the compatibility of philosophical paradigms and methodologies, the weight (priority) of which is determined by the research questions posed to the central phenomenon of research. I have therefore defined my research strategy in terms of a mixed research method, following from my pragmatic philosophy of science. A combination of case studies and descriptive statistical analysis after a guided query of databases.

In my dissertation, I used the qualitative method to test the research question and the formulated propositions through *multiple embedded case study* research. In the qualitative empirical research, I conducted 21 in-depth interviews in six cases. The process model I set up for the succession of family/family-type businesses and the fiduciary asset management structure related to the transgenerational transfer of wealth is composed of three main phases: preparation, establishment and operation. Transgenerational wealth transfer takes place in two dimensions in parallel. The corporate/corporate line represents the portfolio of assets under management. The family line is the internal structure and defines the relationship between the assets under management, the transferor (incumbent) and the beneficiary/heir family members. The interviews were selected in such a way that I observed all three levels of involvement in order to achieve theoretical saturation: the incumbent/trustee level, the beneficiary/heir (successor) level, and the trustee/corporate agent level.

In the quantitative research, I examined the subject of fiduciary asset management, the assets under management, through the analysis of its variables. I started from the assumption that the firms engaged in fiduciary trust activities are a subset of the firms engaged in wealth (portfolio) management activities. My hypotheses derived from the research question suggest that fiduciary asset management is an appropriate transgenerational wealth transfer form if the dominant share of the assets are businesses (partnership interests). On the other hand, the trustee will use trusts as a transgenerational wealth transfer vehicle to achieve the transgenerational wealth transfer (succession), if a significant proportion of the assets in the trust portfolio are businesses (company shares) and their weight in the value of the total assets (portfolio) is decisive. The evidence is provided by means of a descriptive statistical analysis, comparing the characteristics of the assets managed and the indicators calculated by two sets of asset managers: those which are generally engaged in asset management and those which manage trust assets in the form of independent legal entities.

1.6. Structure of the dissertation

My dissertation is structured as follows. In the second chapter following this introduction, I clarify the theoretical framework of my research. I situate the international and domestic literature in the typology I have developed with the aim of providing a comprehensive overview of the literature on trusts and transgenerational wealth transfer and to crystallize my own theoretical position on the transgenerational wealth transfer form of trusts.

In the subsections of the theoretical review, I have analysed the literature on the basis of this typology. In the third (2.3) and fourth (2.4) subsections, I clarify the legal and economic content of the fiduciary trust form. I define the specificities of transgenerational wealth transfer and transgenerational wealth, as well as the role and position of transgenerational wealth transfer in the system of exit (succession) strategies. In the fifth (2.5) and sixth (2.6) subsections, the external and internal indicators and variables that determine wealth transfer are systematised and presented according to my typology. In the seventh (subsection 2.7), I review the forms of wealth transfer related to the succession of the (family) business and situate them in the transgenerational wealth transfer patterns, defining the concepts of 'wealth management edge' ('trustee wedge') and 'independent wealth management edge' ('independent trustee wedge').

The summary of literature review and the theoretical framework of the research are presented in the third chapter of the dissertation. I identify the critical points for the use of trusts as a form of transgenerational asset management. I draw summary conclusions based on the literature review and define the theoretical framework of my empirical research.

First, in the empirical research part of the dissertation, in chapter four, I unpack the research question by outlining hypotheses and propositions that are based on the literature review and my own process model of transgenerational wealth transfer. In the subsequent fifth chapter, I present the theoretical background of my applied mixed research methodology, broken down into case study and quantitative research according to the convergent and parallel mixed research methodologies. After presenting my qualitative empirical case study research and the detailed process of my quantitative data analysis, I summarise my research findings and formulate my conclusions in chapter six.

Finally, I summarise the main findings and conclusions of my doctoral research in chapter seven. As usual, the dissertation concludes with a list of appendices and references.

2. Theoretical framework

Since the subject of my research is the examination of the functionality of the institution of trust as a separate fiduciary form of asset management from the person of the settlor and the beneficiary in the succession of family businesses, I consider it important to define (before the literature review) some attributes of the family business and the characteristics of the transgenerational transfer of wealth.

2.1. Attributes of a family business

Research on family businesses has become a focus of interest in recent decades and has become a research area in its own right (Gersick et al., 1997, Chrisman et al., 2008, Benavides-Velasco et al., Research has mainly focused on the definition of family business, corporate governance issues, familiness, family involvement, the separation of ownership and management positions, and succession issues (Xi et al., 2015). The definition of the content of family business, the assets and the succession process are relevant to my research and are summarised below.

2.1.1. Definition

There is no single definition of family firms (Astrachan et al., 2002, Zellweger, 2017). This is because the *family* is a complex and heterogeneous variable. It can have multiple economic and non-economic purposes at the same time (Chrisman et al., 2012). The actual family size varies across societies (Zellweger, 2017). *Family businesses* can vary geographically. They have different characteristics for founder, sibling community and cousin ownership consortium (Gersick et al., 1997). They can become complex and complicated systems where financial and non-financial interests may conflict over time (Eddleston & Kellermanns, 2007). None of the definitions can fully capture the distinction between family and *non-family businesses*, because they attempt to separate them along artificial criteria between which there is in fact no clear and unambiguous dichotomy (Astrachan et al, 2002, Stewart & Hitt, 2012). According to Zellweger (2017), there are three reasons why we cannot precisely define the main dimensions and their thresholds, i.e. we cannot formulate (operationalise) a single definition of family business. On the one hand, the family business is a *heterogeneous set*, it does not have a uniform formal appearance, nor does it have an exclusive legal formation. On the other hand, the *concept of family is simplified*. The family is the basic institution of society, the smallest cell¹. Its content and function change with socio-economic transformations and historical periods². Thirdly, family participation in the enterprise can take different dimensions (*multiple effects*).

In the following, I will describe the most significant attempts to define family businesses and identify the criteria relevant to my research.

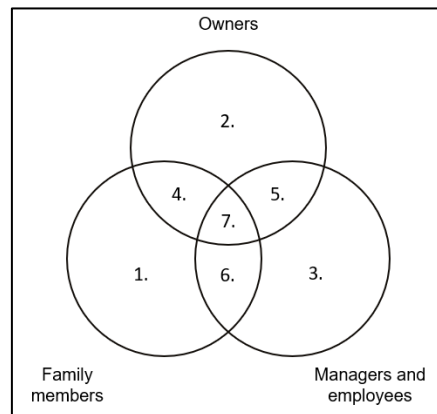
Tagiuri & Davis (1996) further developed the dichotomous approach of family and business by separating ownership and management positions to develop *a three-circle model of family business*. In their interpretation, the family business is a combination of three subsystems

¹ "The family is the natural and fundamental community of society, which has the right to be protected by society and by the State" (Universal Declaration of Human Rights, Article 16 (3)).

² In ancient societies, the function of the family was primarily reproduction. The feudal family in the Middle Ages is linked to the household (housekeeping, courting) and family formation is based on inheritance and land ownership. In the modern era, the family takes on additional functions.

(family, management, ownership), which are independent of each other but overlap. The individual is linked to the company through the subsystems and can be in one of seven positions (see Figure 1). These persons are (1) the non-owner and non-manager family member, (2) the owner only but not family member, and (3) the non-family member manager. Persons in the internal sector belong to several circles at the same time and represent some combination of the positions of owner, family member and manager (see positions (4), (5) and (6) in Figure 1). A person in the central sector is also an owner, family member and employee (manager) of the enterprise (7).

Figure 1: The three-circle model of family-property-management

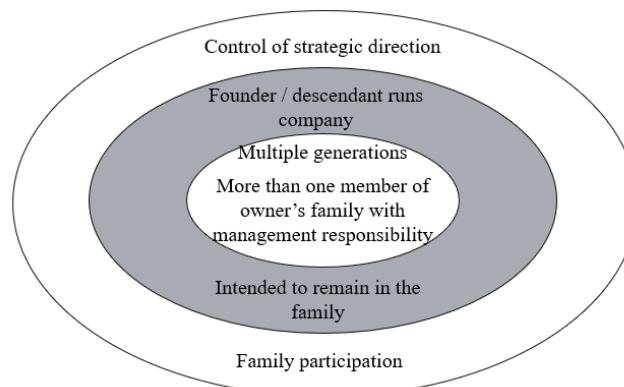


Source: Tagiuri & Davis (1996, p. 200), Zellweger (2017, p. 18)

Tagiuri & Davis (1996) described family firms as having seven types of dichotomous characteristics (advantage and disadvantage) that characterize individuals in the common domains of circles. These are: concurrent roles, shared identity, common roots, emotional approach, own language, mutual respect, and sense of family firm.

Shanker & Astrachan (1996) distinguish family firms according to family embeddedness. In the *bulls-eye model* (Shanker & Astrachan, 1996, Astrachan & Shanker, 2003), the family business is represented in a three-circle concentric circle model, where the circles symbolize the intensity and mode of family involvement in the business.

Figure 2: The family business bulls-eye model



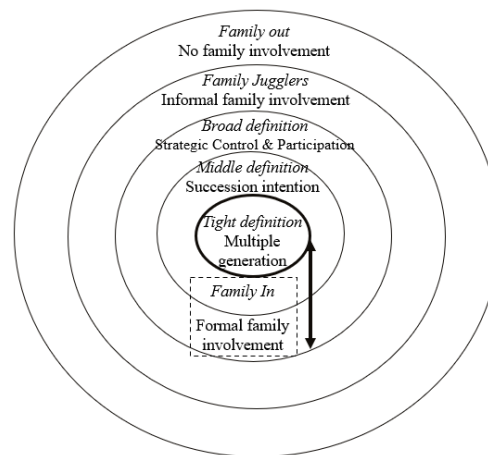
Source: Astrachan & Shanker (2003, p. 212)

For businesses in the outer circle, the direct influence of the family is weak. The family character is represented by a certain degree of influence on strategy through participation in management bodies and voting rights. The middle circle is characterised by full managerial (operational) control over the enterprise. The inner circle represents the most intensive family

involvement in the enterprise. According to Shanker & Astrachan (1996), a business is considered to be family if several generations are involved in the day-to-day running of the business and more than one family member has managerial responsibility.

Anderson, Jack, & Dodd (2005) applied the *extended Bull eye model* to the relationship between family and business. Birley et al. (1999) classified firms into three clusters according to the family-firm relationship. (1) In the Family Rules dominant (Family Rules) cluster, family and firm overlap. This cluster includes the concentric circles defined by Astrachan and Shanker (2003). (2) Family Jugglers are firms that consider the interests of the family and the firm simultaneously. They may not be considered family firms, but there is iteration between family and business, and informal kinship ties (ties outside the formal family firm) may be significant. (3) Family Out clusters (Family Out) are clusters where family and business are completely independent of each other, with no interaction. The business has no family character and no family influence.

Figure 3: The interaction between family and business - an extension of the Astrachan and Shanker bulls-eye model

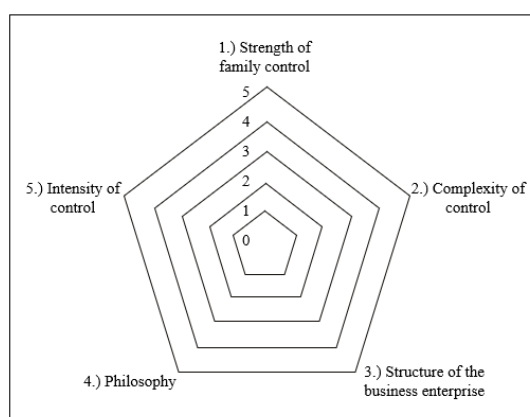


Source: Anderson, Jack, & Dodd (2005, p. 138)

Astrachan, Klein, & Smyrnios (2002) developed the *F-PEC scale* (F-PEC scale) to measure the strength of family influence based on three dimensions (power, experience, culture). The power dimension is expressed through the ownership, control or leadership role of the family. Its nature and strength is determined by the forms of ownership and corporate governance in a given country. Family influence can be measured directly in terms of the proportion of participation in the decision-making organisation, but indirect influence can also be exercised through delegated persons. Experience is derived from generational ownership, accumulated knowledge in governance and the number of family members involved. Culture is the overlap of family and business values and commitment. All businesses can be placed on the F-PEC scale system and family character and intensity can be identified. The model has been criticized for the heterogeneity of the set of businesses (Chua et al., 2012) and for measurement differences and inconsistencies in empirical research (Stewart & Hitt, 2012). Therefore, the authors tested their model with additional data collections (Klein et al., 2005) and added dimensions of family influence (independent variable) and life expectancy (dependent variable). They sought to answer the question whether family influence enhances or hinders longevity, where longevity is defined as the survival of the family business for at least three generations (Rau et al., 2018). However, they still did not provide an exact measure of family influence.

Zellweger (2017) defined family influence along five dimensions: (1) The extent of family involvement in ownership, leadership and management functions; (2) The complexity of family control. As the number of family members increases, so does the need for coordination and the development of family control structures. (3) The link to the business. With growth and diversification, the entrepreneurial family may evolve from a family business to a business family and behave as an investor. (4) Degree of identity overlaps between family and business, capturing the prioritization between family and business goals (business first vs. family first approach). (5) Intensity of control, strength of the family-business relationship. This has two dimensions: (i) duration is the emotional attachment of the relationship to the firm across generations. The passage of time strengthens the attachment, the firm's assets become a legacy whose value exceeds the pure financial value of the firm. (ii) Vision, the present generation's vision of future operations, extending family control to future generations. Scaling across dimensions, the fact of family involvement can be determined, but an optimal position cannot.

Figure 4: Dimensions of family influence



Source: Zellweger (2017) and own editing

European Union legislation derives the "European definition" of family business from the definition of small and medium-sized enterprises (SMEs). In Hungary, Act XXXIV of 2004³ defines the categories of SMEs. The classification of an enterprise depends on the fulfilment of a double threshold - the number of employees and one of the two defined values of turnover or balance sheet total.

Figure 5: Classification categories of the small and medium-sized enterprise (SME) sector

Enterprise category	Number of employees		Net Income(annual)		Total Assets
	"A"	and	"B.1."	or	"B.2."
Medium	< 250 employees		≤ 50 M EUR		≤ 43 M EUR
Small	< 50 employees		≤ 10 M EUR		≤ 10 M EUR
Micro	< 10 employees		≤ 2 M EUR		≤ 2 M EUR

Source: XXXIV Act of 2004 and own editing

³ Act XXXIV of 2004 "on small and medium-sized enterprises and support for their development".

The European Commission proposes an expert report⁴, and a general European-level recommendation⁵ on the definition of family business. It proposes to define the detailed content at national level, based on the view that the nature of family businesses varies considerably from country to country. According to the Recommendation, any company, regardless of its size, is a family business if (1) the majority of decision-making rights are held by natural person(s), (2) they are exercised directly or indirectly, (3) at least one family member formally participates in its management, and (4) in the case of publicly listed companies, the shareholding provides 25 per cent of the decision-making rights.

A common feature of attempts to operationalise the definition of *family businesses in Hungary* is that they infer the attributes of family businesses from primary data collection and representative sample surveys (Wieszt & Drótos, 2018, Kása et al., 2017, Kása et al., Wieszt and Drótos (2018) and Kása et al. (2019) also investigated three factors: (1) self-perception of the family business, (2) the existence of dominant family control and (3) the existence of a minimum family ownership share of 50%. In addition to the primary ownership criterion, the minimum ownership share, Wieszt and Drótos (2018) define additional criteria and, based on these criteria, definition levels for family businesses. These criteria include (i) at least two family members working as employees in the firm, (ii) at least two generations involved in the operation of the firm, and (iii) the likelihood of intra-family succession, transgenerational planning. In their view, operationalising the definition is also difficult because private entrepreneurship and family businesses are the result of the post-1990 economic transition and are typically still in the first stage of the life-curve, the founding generation. On the other hand, the precise definition of the degree of influence is also problematic because majority control can be exercised formally by minority shareholding if it is a controlling stake or is secured by contracts other than formal ownership (e.g. syndicate contracts between shareholders).

The attempts at defining family businesses described above focus on family influence rather than dichotomous delimitation. Two dimensions of influence are typically identified: the components of influence and the strength of influence. The components (ownership and control) are operationalizable in terms of definition (Sharma, 2004, Chrisman et al., 2005, Astrachan et al., 2002). However, the strength (content) of influence is difficult to operationalize due to the heterogeneity of families and firms. Therefore, studies focus mainly on the behaviours, attitudes and intentions (will) of family members, the relationships between the family member and the firm (Chrisman et al., 2003, Chua et al., 1999, Sharma, 2004, Chrisman et al., 2012), and target the transgenerational perspective as the primary source of the characteristic of family firms (Carr et al., 2016, Zellweger 2017). The literature review shows that there is no single definition of family business that can be used exclusively and for all areas of research, study or application (legal regulation, public policy application, statistical or academic research). Family business should therefore always be defined in terms of the research objective.

In examining the role of trusts as a form of transgenerational wealth management in wealth transfer, I use **the broader definition of family business** given by Zellweger (2017) in my thesis. According to Zellweger (2017), a family firm is a business that is dominantly controlled by a

⁴ According to the report, "Family businesses account for more than 60% of all European companies, covering a wide range of firms of different sizes and from different sectors. Most SMEs (especially micro and small enterprises) are family businesses, and the vast majority of family businesses are SMEs." (European Commission, Final Report of the Expert Group, 2009. p. 4.)

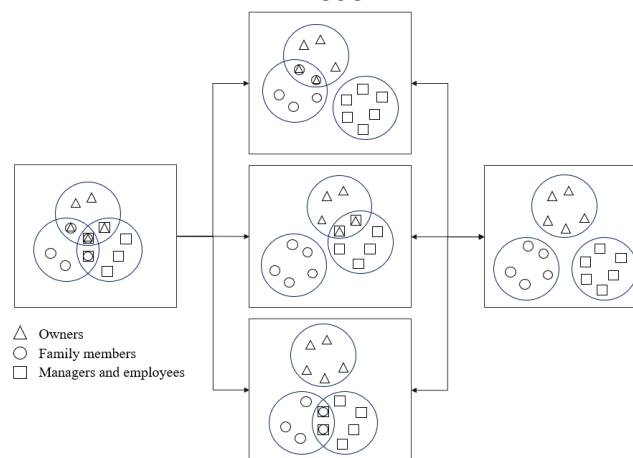
⁵ The recommendation includes a triple family-business-ownership element (Tagiuri & Davis, 1996) and a threshold.

family with the vision of maintaining family control across generations (Zellweger, 2017, p. 22). *Dominant control* can take many forms and depends on the size of the firm and its position in the life course, but it is about ensuring that the family's values and goals prevail. The *transgenerational* vision aims at the survival of the family by linking succession and long-term value creation.

2.1.2. Succession

By succession, I mean all transactions and events that may involve a transfer of ownership and/or management of the family business, or the intention to do so, by a family member in an ownership and/or management position. According to Zellweger (2017), succession in family businesses has three specificities. (1) The *idiosyncratic* (unique) nature of succession resulting from different family and business situations. (2) Succession directly affects a wider range of business stakeholders (*stakeholder multiplicity*). (3) The emotional attachment of the incumbent may divert from rational decision-making (*emotional dimension*). Succession in family firms is a process (Handler, 1994, Gersick, Lansberg, Desjardins, & Dunn, 1999, Murray, 2003, Le Breton-Miller, Miller, & Steier, 2004, Decker, Heinrichs, Jaskiewicz, & Rau, 2017) in which the three-circle model outlined by Tagiuri and Davis (1996) is dynamically changing. Each subsystem interacts with the other and diverges in different ways and times depending on the size and characteristics of the family business. (See Figure 6!) Zellweger (2017) defines intra-family transfer as taking 6.5 years, and extra-family transfer as taking between 1.6 and 3.3 years, while Murray (2003) defines it as taking between 3 and 8 years.

Figure 6: Dynamic model of the succession process based on Tagiuri and Davis' three-circle model



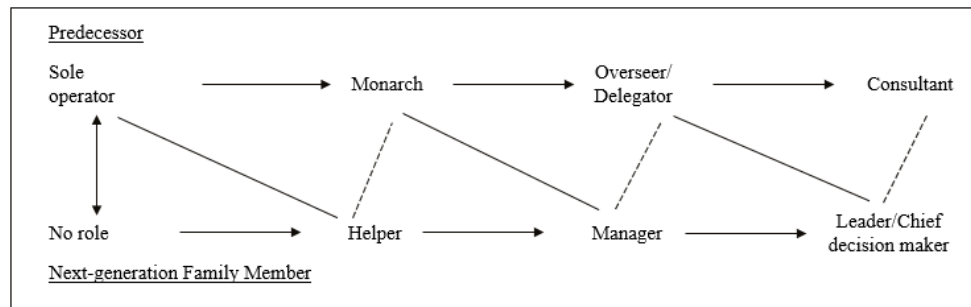
Source: based on Tagiuri and Davis own editing

In the following, I present the most important theories describing the succession of family businesses and identify the variables relevant to my research.

According to *Handler* (1994), succession is a multi-stage, time-consuming process of mutual role adjustment and adaptation between predecessor and successor. It is a parallel process in which the predecessor reduces its involvement in the business and the successor takes on an increasing role over time. However, the predecessor takes longer to settle into his new role than the successor. The success of the process depends on the transfer of leadership experience, authority and decision-making power. In the process, the predecessor moves from being the founder to being the dominant leader, then the supervisor-delegator and finally the advisor with no direct role. The successor, once connected to the business, becomes a facilitator, then, after

acquiring knowledge and practice, a manager and finally a leader or ultimate decision-maker (see Figure 7).

Figure 7: The succession process: mutual role alignment between the predecessor and the next generation family member

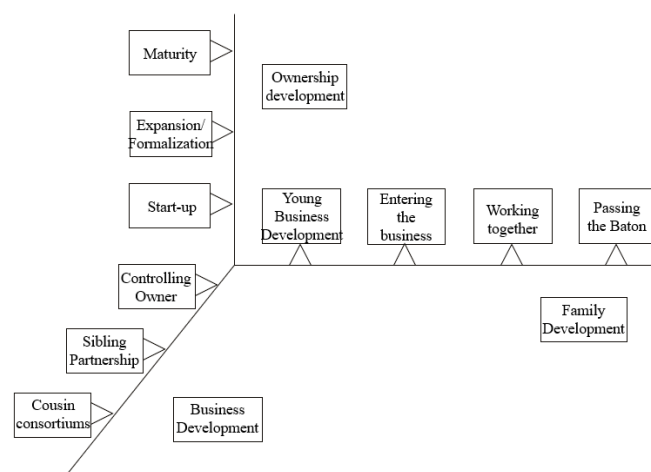


Source: Handler (1994) p. 137.

The process has two limitations. (1) *Interruption*, because the predecessor may decide at any time that the successor is not yet ready. (2) The transfer is in fact a series of *circular movements*, because depending on the strength of the predecessor's intention to leave and the ability of the transferee, each stage may revert to a previous stage. The transferor ancestor has discretion to decide whether to move forward or backward in the process. According to Handler (1994), succession planning is closely linked to the position of the predecessor in its own life cycle. Fear of death or an illness may trigger the initiation of the succession planning process.

Gersick, Davis, Hampton, & Lansberg (1997) transformed Tagiuri and Davis' (1996) three-cycle model into a *three-dimensional developmental model* where all three axes (family, business, ownership) move through successive phases over time. The transition between the phases serves the transformation of the enterprise, while the progress within the phases serves the development. The time and nature of the transition between the phases of each subsystem is a critical success factor for the future. Movement between each phase is possible in all directions except the family development axis, and even combinations of different phases of each axis.

Figure 8: The family business development model of Gersick et al.

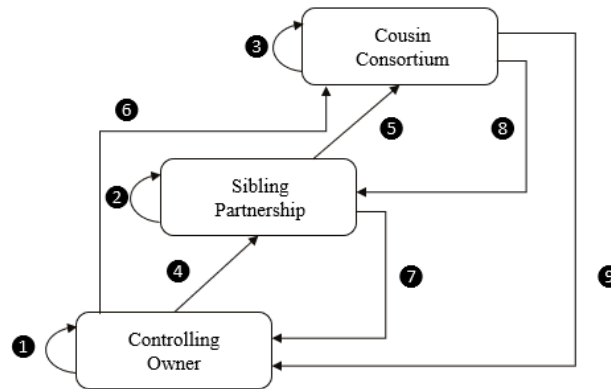


Source: Gersick, Davis, Hampton, & Lansberg (1997) p. 17, and own ed.

Succession is not a one-off act, but a complex process. According to them, there are two factors that can distort the traditional order of succession. The range of *succession alternatives available* to the entrepreneurial family and the *vision of the future*. In their succession typology,

they identify nine scenarios and three forms of ownership (see Figure 9). Three succession alternatives (1, 2, 3) are self-recurring *circular*. They imply a change in governance, but the ownership structure remains intact. *Forward* alternatives (4, 5, 6) bring changes in management and increase the complexity of ownership structures. *Recursive* alternatives (7, 8, 9) bring changes in management but simplify the ownership structure.

Figure 9: Succession scenarios (ownership perspective)



Source: Gersick, Davis, Hampton, & Lansberg (1997) and own ed.

The same ownership structure can also take different succession paths. The *owner's management* transformation into a business can be by designation by the founding generation or by buy-outs between members of the sibling partnership and the cousin consortium. A *sibling partnership* may be formed by transfer from the owner-controlling enterprise, by concentration within the partnership (buy-out) and by withdrawal from the cousin consortium (devolution), buy-out, transfer. In the case of a sibling community, ownership and control are shared. A *cousin consortium* can be formed by stepping forward or by concentration within the community. In the case of community of ownership and concentration, an asymmetric ownership structure may also emerge.⁶

Murray (2003) examines the process of transformation of the archetypal formations of family business - the owner-manager, the sibling community and the cousin consortium. In the case of *evolutionary* transition, generational change takes place by changing the individuals who occupy the roles, but ownership and governance structures remain unchanged. In the case of *revolutionary* transition, the existing form is transformed into a different archetypal structure, and the people in key roles change. He argues that succession has three characteristics. (1) It leads from the old structure through phases - ability to change, emergence of triggers, readiness, exploration, preparation, choice and commitment - to the new structure (*process of transformation*). (2) The *preparation* phase is key because it involves identifying and assessing options. (3) Its *implementation* can take three forms. In a balanced implementation, proper preparation is followed by successful completion. Imbalance and breakdown are due to inadequate preparation or lack of closure.

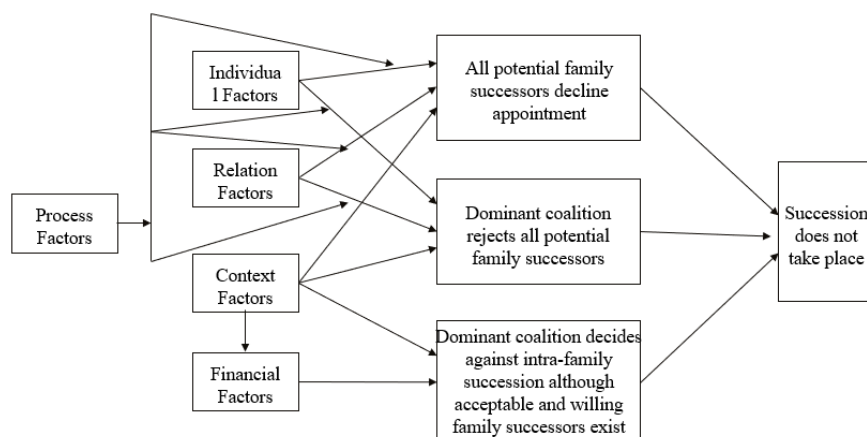
Le Breton-Miller, Miller, & Steier (2004) developed an *integrated process model* for succession. They identified the critical success factors of succession as the attributes of the transferor (incumbent) and the transferee (motivation, ability, skills, etc.), succession planning, the ordering of the transferor's exit and the successor's introduction, and the composition of

⁶ An asymmetric ownership structure arises when there is a difference in the number of descendants, so that there are different numbers of heirs or descendants in the inheritance class. Because of the difference in numerosity, the ownership shares are not equally diluted, and the ownership structure becomes disproportionate. The only exception to this is when all descendants have the same number of descendants.

management. A dynamic process model with three distinct dimensions has been set up. (1) The *non-family* dimension is the industry and competitive environment. External variables that cannot be controlled but can influence the choice of successor. The controllable variables can be influenced by the corporate manager, thus enabling him/her to influence, accelerate or hinder the succession process (e.g. the composition of the management). (2) The *family dimension* is social norms and values, family relationships, family dynamics. It also includes the institutions used to control or manage the family business. (3) The third dimension is the *stages of the succession process*. At the heart of the succession model are the stages of the succession process, arranged in a linear structure. Le Breton-Miller, Miller, & Steier (2004) distinguish four critical stages in their *linear succession model*. Each stage is influenced by both the non-family dimension (the socio-economic environment) and the family dimension. The succession stages are sequential, but the process is characterised by iteration and *feedback*, which can influence the outcome of the process. It may differ from the vision set out at its inception. The stages of the integrated dynamic process model of Le Breton-Miller, Miller, & Steier (2004) are: (1) the *basic rules* stage. This involves setting a vision for the future of the family business, defining the scope of successors, and developing timing and communication expectations. (2) The *mentoring and development* stage of educating and training successor candidates and gaining external work experience. (3) The *selection of* a successor to manage the business. (4) The *final handover* and gradual exit stage of the successor.

According to De Massis, Chua, & Chrisman (2008), succession occurs between two discrete points in time, between the dominant coalition's⁷ declaration of succession intentions and the assumption of the leadership-control position. In the phase between these two points, there exists a *system of barriers* that must be addressed in order to ensure a successful succession. In their process model, they identified three barriers to succession. (1) The potential family successor resigns from the management position in the firm. (2) The dominant coalition rejects all potential family successors. (3) Although there is an acceptable potential successor, they decide against family succession⁸. Five interacting sets of *antecedent factors* that shape or influence the reasons have also been identified (see Figure 10).

Figure 10: Process model of barriers to succession within the family



Source: De Massis, Chua & Chrisman (2008) and own ed.

Personal factors are the subjective and objective obstacles (lack of ability, lack of motivation, unexpected death, etc.) linked to the person of the transferor and the successor. *Relational factors* are the relationships between family members and non-family members (conflicts,

⁷ The dominant coalition can be the founding single owner, a community of brothers or a consortium of cousins.

⁸ The third reason is when the family business is not considered financially viable - it cannot 'support' the family - and is sold.

rivalries, lack of legitimacy, etc.). *Environmental factors* are the impeding variables arising from the economic environment (decline, deterioration of partner relationships, etc.). *Financial factors* are the constraints and costs of financial resources (inheritance tax, lack of resources to pay a person who does not wish to participate in the succession). *Process factors* are obstacles to the succession process (late involvement of a successor, selection according to non-rational criteria, etc.).

In Zellweger's (2017) interpretation, succession is a logical sequencing process, where the preferred succession alternative should be selected at the very beginning. He defines the framework for succession as a six-step process (see Figure 11). The transferor's (incumbent's) exit position is determined by financial and mental factors, and the successor's entry alternatives are determined by his/her motivation. The necessary condition for a realistic succession option is the match between the transferor's preference (exit option) and the successor's motivation (entry position). This is followed by *due diligence* and the selection of a *realistic business strategy* to prepare the business for the succession alternative that is actually feasible. Alignment of the incumbent's preferences with the current opportunities on the corporate life curve. The third step is the *transfer of powers (roles) and responsibilities*. According to Zellweger (2017), it is useful to define a succession roadmap that indicates the process of transferring control and functional roles.

Figure 11: Succession framework for the family business



Source: Zellweger (2017) and own editing

Determining *the transfer value*, the transaction cost (the price at which the transaction takes place), which may differ from the market value due to certain factors (sentimental value, cost of funding, etc.). *Determining the tax and legal form of the financing and succession*. Different legal forms apply to different succession routes. The legal and tax rules for succession to family businesses vary between countries and legal systems.

2.1.3. Wealth

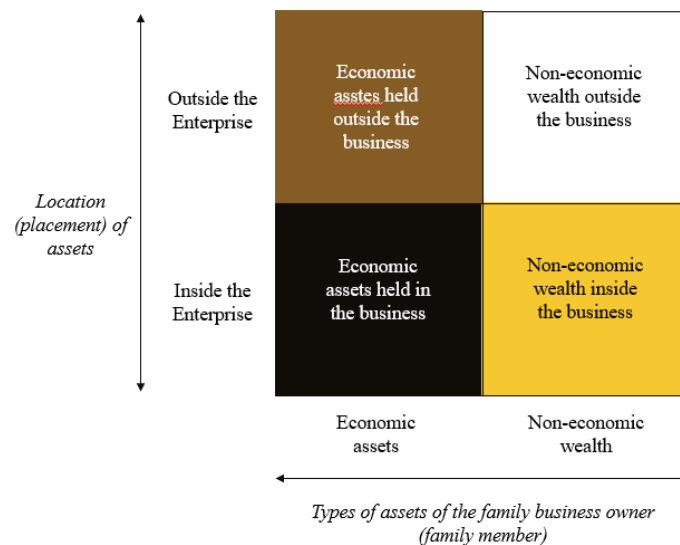
In economic terms, *wealth is a stock* that can generate income in the future (Hamilton & Hepburn, 2014). Wealth as a stock: the sum of assets, human and intellectual capital, and social and emotional capital. Assets can be tangible and intangible, they can be property, rights or claims. An asset may also be a share in an enterprise, a security representing ownership, a share in a business. The asset can be placed in a metric system, its value can be objectively measured in the accounting system. Non-asset form assets (wealth elements) are not measurable in metric terms. The assets of an enterprise (business entity) are its equity, the sum of its capital elements.

The net balance of positive and negative capital elements. Equity capital is the value of the property claim of the owners on the enterprise, the value of the share, the share as an asset of the owner.

Property is defined in law as "the totality of rights and obligations of a legal entity relating to the person of a legal entity" (Lábady, 2017, p. 213). Within property, we distinguish between active and passive property. "Active property includes other protected legal situations (e.g. expectations) in addition to rights with a property value. Passive property includes liabilities that must be satisfied from active property." Net wealth is net wealth, which is "determined by subtracting passive wealth items from the value of asset items" (Lábady, 2017, p. 213)

The *assets of the family business owner (family member)* consist of economic and non-economic assets (Carr et al, 2016) (See Figure 12.) *Economic assets* are typically held in the business (the family business or the family business portfolio) but may include a significant portion outside the business/business portfolio (Chandler, 2015). Examples include the owner's personal property, weekend home, or all types of financial assets held and managed separately from the business (Steier et al, 2015). The family business, or more precisely the equity of the family business, is the dominant part of the economic wealth. The equity or share capital and accumulated, cumulative wealth are (capital) elements. Wealth is represented in the enterprise in the form of assets. Assets can be tangible (real estate, machinery, equipment, land, stocks, trade receivables, money, etc.) or intangible (intangible assets such as intellectual products, know-how, patents, knowledge, various rights and trademarks, etc.). The monetary category of assets is the physical characteristic of the asset.

Figure 12: Types and location (placement) of assets



Source: own editing

The non-economic *wealth* of the family member owner is his/her family and personal values, knowledge, network system, which may be linked to the family business (inside the business) but may also appear independently of it (outside the business) (See Figure 12). These include tacit knowledge or altruism towards offspring, the owner's status in society and the local community, his network of relationships with customers and others, and the internal corporate culture (Carr et al., 2016). The importance of non-economic wealth increases the more intensive the personal involvement of the family member in the operation of the firm. A family member's non-economic wealth outside the firm is his or her family-related values (perception of heritage, inheritance norms, perception of tradition, etc.).

The importance of the transfer of non-economic wealth (within the firm) is mainly based on theories of social (SEW, socioemotional wealth). According to SEW theory, a social, emotional capital (Gómez-Mejía et al., 2007, Berrone et al., 2012) gradually accumulates in family businesses over time and as they develop, representing an intangible wealth whose transfer is at least as important and at least as significant as the transfer of material wealth. The amount of social and emotional capital differs between family businesses, but also according to the stage of the life cycle at which the business is located. The founder-owner-manager has a different succession strategy and emotional attachment to his/her business than the family owner of a second (sibling consortium) or third generation (cousin consortium) family business, where multiple ownership and heterogeneous family ownership structure are already established (Hajdu, 2022).

A family member's non-business non-economic assets are the *heritance image*. The family stakeholders' perception of inheritance determines the content of the family inheritance and the transfer of wealth during succession, the components of the wealth and the priority between the components of the wealth. According to Hammond et al. (2016), the content of family inheritance is the set of tangible and intangible assets that can be personally (individually) linked to the family and that are passed on between generations or within generations. Families' perceptions of heritage change over time and across generations. They argue that the concept of family heritage can be conceptualised and can take three forms.

- (1) *Biological inheritance*, which is the passing on of family bloodlines, genes and names. The family business biological inheritance concept is that biological inheritance (e.g. a group of potential family offspring) is needed for a business to remain a family business.
- (2) According to the family business's *conception of material (tangible) heritage*, the founder or the family governing body's preference is for things, the objects of the inheritance (funds, property rights). They make decisions with a view to preserving the material heritage. They seek to choose a succession strategy that will maximise the value of the material inheritance. They choose succession within the family in order to preserve an important object of the family's material legacy, the family firm (Zellweger et al., 2012).
- (3) *Social heritage*, which is intangible assets such as family values, values, attitudes and beliefs. According to the social heritage conceptualization of the family business, the family heritage orientation refers to a preference for things such as shared history, deep social ties within the community, and strong identification with certain norms and principles (Hammond et al., 2016). The founder or the community/coalition that leads the family is responsible for preserving and transmitting the family's social heritage. This manifests itself in a preference for non-economic goals such as sustainability or social and emotional wealth.

2.2. Systematic literature review

The institution of fiduciary asset management (trusts) is at the interface of economics and law. Behind the contractual form the essence is asset management for a purpose. I will therefore consider both its economic and legal approaches in a systematic literature review. I also had to keep two other important aspects in mind. On the one hand, trusts can be used for a variety of economic purposes (transactional, tax, succession, social purpose, etc.). The area of my research is the intersection of the of institutions of succession and (family) businesses, and generational wealth transfer. I explicitly limit the study of fiduciary wealth management to this area. On the

other hand, trusts are a new legal institution in Hungary (established by the 2013 Act V of 2013), which is mainly similar to the Anglo-Saxon trust institution. In my research I therefore also took into account the available legal literature. In particular, its economically relevant concepts and rules. I was also helped in this by the fact that, in addition to my law degree, I have accumulated considerable transaction experience over the years, which has provided me with a sound basis for my reading of the literature.

I have tried to put the above into a framework that is both professionally justifiable and supports my own theoretical position. Fiduciary asset management (trusteeship) is the institutional (static) framework of wealth management, while transgenerational wealth transfer is the process (dynamic) of intergenerational transfer of wealth management. Both are determined by the characteristics of the (family) business, wealth management and succession. Building on these, I have developed the typology illustrated in Figure 13.

Figure 13: Literature typology

<i>Fiduciary Asset Management</i>		
<i>(family) Enterprise</i>	<i>Succession</i>	<i>Wealth and wealth management</i>
<i>Transgenerational wealth transfer</i>		

Source: own editing

Building on these, I defined my literature review strategy and keyword search methodology.

2.2.1. Methodology of the review

In the literature review, I followed the systematic review procedure proposed by Tranfield et al. (2003) - designing the review, conducting the review and drawing conclusions. I also considered the detailed methodological steps suggested by Fink (2019) - delineating the research question, selecting the database, selecting search words and terms, applying the screening criteria, conducting a systematic screening, conducting the review and synthesising the results.

As a first step in the literature review, I identified the theoretical framework and literature typology presented earlier. I have first sought to clarify concepts relevant to my research question, such as family business, wealth and wealth management, succession and transgenerational wealth transfer. In particular, I consider it important to identify the legal doctrine of the institution in advance with regard to trusts. The fact that Hungarian and other legal systems (continental law, common law) have different conceptual and substantive approaches to trusts.

My search strategy and selection criteria for relevant studies were as follows. *Scholarly (peer reviewed) journal* articles in English were selected as search targets. In the first round, I selected two scientific databases (EBSCO Business Source Complete and Econlit). I conducted a complementary search on the websites of journals relevant to family business research (*Entrepreneurship Theory and Practice*, *Family Business Review*, *Journal of Family Business*

Strategy, Journal of Family Business Management and Academy of Management Journal). To find the relevant articles, I used the following keyword combinations.

Figure 14: Search keywords

Keresési kulcsszavak	
1.	“family business*” OR “family enterprise*” OR “family owner*” OR “family influence*” OR “multi-family business” AND “business succession*” OR “estate planning*” OR “succession planning*” OR “trustee*” OR “trustor*” OR “intermediary” OR “family fund*” OR “family office*” OR “predecessor*” OR “successor*” OR “agent*” OR “family trust*” OR “family firm trust*” OR “beneficiary*” OR “foundation*” OR “stiftung*” OR “treuhand*” OR “wealth*”
2.	“family firm*” OR “family business*” OR “family enterprise*” OR “family influence*” OR “family owner*” AND “trust” OR “wealth*” OR “wealth governance*” OR “wealth management*” OR “wealth strategy” OR “family wealth” OR “fund*” OR “venture fund*” OR “private wealth*” OR “private wealth management” OR “portfolio” OR “family office*” OR “foundation*” OR “embedded family office*” OR “single family office*” OR “multi-family office*” OR “fiduciary*” OR “family officer*” OR “trustee*” OR “family principal*” OR “philanthropy” OR “investment strategy” OR “risk management” OR “coordinated family*”

Source: own editing

The first five keywords were related to family businesses and the keywords after "AND" were related to asset management. The search resulted in 768 articles, the abstracts of which were reviewed and selected as follows.

(1) Articles were excluded if (i) the abstract analysis revealed that they did not deal with trusts and/or transgenerational wealth transfer and succession, (ii) the abstract analysis revealed that they conveyed knowledge or non-primary research results (not including literature review articles), (iii) the article was not directly available in electronic form or in any other electronic database. As a result of the screening process, I generated a primary list of 87 items and a secondary list of 112 items. (2) After a re-screening and detailed review, I selected the 25 articles from these that formed the basis of the primary literature database. (3) As a third step, I read the articles in the selected list and analysed their relevance to my research in detail. Two articles were excluded for non-conformity because their content was neither directly nor indirectly related to the topic of generational wealth transfer or the institution of trust. However, in order to extend the search, I reviewed the literature reference list of the remaining articles, on the basis of which I included additional articles and textbooks, as well as international or other countries' legislation in my analysis. (4) As a fourth step, I searched the database of existing Hungarian legislation for laws and legislation related to my topic, as well as the explanatory memoranda and relevant explanations.

2.2.2. Descriptive analysis

In the tables below, I present the publication and occurrence characteristics of the selected articles (see Figures 15. and 16.).

Figure 15.: Distribution of articles by year

Év	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2018	2019	2020	Σ
Publikációk száma	1	1	-	-	-	2	-	2	-	1	2	3	4	4	2	-	3	25

Source: own editing

The distribution of the articles in the primary literature database by year of publication showed that a wave of publications on trusts and/or one of their areas started after 2012. Two trends emerged when looking at the publication locations. On the one hand, publications were concentrated in the journal that is most relevant for family business research. On the other hand, journals of a legal nature also appeared. This made it clear to me that the data sources to be processed in the extension would be of great importance. In order to ensure the right quantity and quality of the extension, special attention should be paid to the bibliographic reference lists of the articles.

Figure 16.: Distribution of articles by place of publication

Megjelenés	Előfordulás (2003-2020)
Academy of Management Journal	1
Academy of Management Learning & Education	1
Academy of management Review	1
Academy of Management Journal	1
Administrative science quarterly	1
Cross Cultural & Strategic Management	1
Entrepreneurship Theory and Practice	10
Family Business Review	2
Houston Law Review	1
International Insolvency Review	1
Journal of Business Ethics	1
Journal of Corporate Finance	1
Journal of Financial Service Professionals	1
Journal of Management	1
Strategic Management Journal	1
	25

Source: own editing

2.2.3. Content analysis

Based on a detailed analysis and review of the articles, it became clear to me that there is no explicit model for the wealth management behind family businesses and its transgenerational transfer. A systematic literature review in the classical sense is not possible, so I have organised the literature sources according to the influencing implicit indicators, wealth management and transgenerational wealth transfer. I conducted the literature review on the basis of framework of thoughts (“Net of Thoughts”) (typology) that I have outlined, and processed the articles accordingly. In the net of thoughts, fiduciary asset management is the institutional framework for asset management, while transgenerational wealth transfer is the process of intergenerational transfer of wealth management. Its implementation and functioning are determined by the attributes of the family business, the characteristics of the institution of fiduciary asset management (trust), the external environmental and internal operational indicators of transgenerational wealth transfer (see Figure 17)

Figure 17: "Net of Thought" (literature typology)

Fiduciary Asset Management " dual dimension" of the wealth management (value preservation vs. (income) accumulation) liability risk management and portfolio management		
External indicators	Corporate operation factors	Family attributes
Transgenerational wealth transfer Forms of asset transfer Family characteristics Corporate characteristics		

Source: own editing

In the following chapters, I will summarise and synthesise the research (literature) according to my own way of thinking (typology). All the while, I have kept an eye on the possibilities of domestic and international (foreign) divergences, and where I have seen fit, I have done additional searches - for the sake of complete certainty. Following a systematic literature review, I outline my concept of transgenerational wealth transfer and its process model.

2.3. Fiduciary asset management

According to Halbach (2000), a trust is "... *a fiduciary relationship with property* which is the result of a manifestation of intention to establish a relationship and which subjects the person who holds the title to the property to an obligation to use it for the benefit of one or more persons, at least one of whom is not the sole trustee" (Halbach, 2000, p. 1882).

Fiduciary asset management can be used for tax and estate avoidance, estate administration, personal living situations, corporate business situations, business transactions, multi-family or multi-generational wealth transfer situations. According to Halbach (2000), the understanding of trusts as essentially a fiduciary relationship has changed as the law has evolved. While retaining its basic content (i.e. a fiduciary relationship), the institutional (entity) conception of trust has been strengthened, moving away from the traditional conception⁹.

To understand the essence of fiduciary asset management (trust) and the logic behind their operation, it is essential to review their development and their legal and economic history. In particular, it is important to understand the differences in development between legal systems because, although fiduciary asset managements (trusts) are a legal construct, their underlying content is different from that of a business-type investor's investment. With a purpose designation, a trust is a trust set up for the benefit of a third party as a means of addressing a variety of business and life situations. In the present and subsequent chapters, I will limit my examination of fiduciary wealth management beyond the general criteria to succession situations in family businesses and related transgenerational wealth transfers, in line with the theme of my thesis.

⁹ In some contexts, the trustee is already automatically understood as a separate legal entity (for example, in taxation, the trustee is a separate legal entity).

First, I will look at the development of fiduciary asset management and their differences between legal systems (legal-dogmatic differences). I will present separately the legal institution of trusts in common law countries, because the structure (codification) of fiduciary asset management introduced into the Hungarian legal system was also based primarily on trust characteristics. I will then discuss in detail the legal and economic interpretation of the trust relationship. In the light of domestic law, I will describe the characteristics of the operation of trusts and compare them with alternative forms of asset management formulas. The paradoxical contradictions of fiduciary asset management (trusts), the conflict between the appreciation of assets and their use for income, the dual agency problem and the problem of dual fiduciary liability are discussed, and will be further analysed in the following chapters.

2.3.1. Historical overview

References to trusts as a temporary transfer and management of an asset are found in the Old Testament of the Bible:

"6. If any man entrusts money or goods to another for safekeeping, and they are stolen from his house, the thief, if caught, shall pay double damages. 7. If the thief is not found, the owner of the house shall appear before God and there declare that he has not taken another's goods. ... 9 If a man gives a donkey, cattle, sheep or other animal for safekeeping and it dies or is damaged or stolen without anyone seeing it, 10. then an oath before the Lord shall decide between the two that he has not taken the others. The owner shall take what is left, and the other shall pay no compensation."

(Bible, Exodus 22:6 - 14)

"1. When Joseph was taken to Egypt, Potiphar, one of Pharaoh's officials, commander of the guard, was bought by an Egyptian from the Ishmaelites who took him there. ... 3. The Lord saw that the Lord was with him, and that the Lord would make all that he did prosper, 4. Then the Lord made him steward of his house; the Lord blessed his house in Egypt because of Joseph. The blessing of the Lord was on everything in the house and in the field that belonged to him. /. So, he entrusted all his wealth to Joseph ..."

(Bible, Genesis 39:1 - 23)

In ancient Roman law, similar forms of property management already appeared. In the case of *fiducia cum amico*, the purpose of the transfer was to preserve the property. It was originally used in connection with a pledge, but later also as a gift in the event of death. The *fiducia*¹⁰ contained two legal elements. First, the obligation was created and then the transfer of ownership of the thing. The *fiducia* developed in the event of the pater familias' prolonged absence (military service, etc.), when he transferred power over all his property to a trustee with the promise of receiving it back from him on his return. A *testament per aes et libram* (a will made with scales and scores) was a legal transaction, a testamentary disposition, connected with inheritance. The testator sold the property belonging to his estate to a trustee (*familiae emptor*) for a symbolic purchase price, with the provision that it should be distributed to the persons he had named on his death. The *familiae emptor* was a trustee and the joint and several successors of the testator. The heirs in fact could claim the distribution of the inheritance from him on a contractual basis. The legal institution of *fideicommissum* (trust) was an ordered tradition in the law of succession based on good faith (*bona fides*), with a binding effect. The testator made a distribution from his estate to a person independently of the will, with the proviso that he was also obliged to make distributions from this distribution to a third person. The reason for the institution was that a Roman citizen could not appoint a stranger as his heir in his will. Therefore, he formally designated another Roman citizen as having to pass the inheritance to

¹⁰ *Fiducia* means trust, a legal concept already known at the time of the XIIth Laws (Sándor, 2017).

the third person. It was therefore a conditional transfer of property for a short period of time, which also allowed for the designation of beneficiaries. Although the *mandate* (contract of trust) could cover the management of foreign property, Roman law did not recognise posthumous trusts (Sándor, 2017. p. 80-94).

In Germanic law, the 5th century *lex Salicia* (Salic law) already provides for the institution of the *Salmann*, *Treuhand*. The reason for its development was that in early Germanic law there was no possibility of testate succession, but this was replaced by the institution of *affatomie*. During his lifetime, the testator transferred his property to a third person (salmann) with instructions as to how it was to be delivered to a person designated by him after his death. Following the disposition, the salmann returned the property to the testator so that he could use it during his lifetime. The salmann, also known as the trustee, was a fiduciary by virtue of the trust placed in him and fulfilled his obligation accordingly. The essence of the legal construct is that a person transfers property for a specified purpose to another person who will be bound to fulfil the stated purpose. The transaction resulted in a property tied to a purpose and a condition precedent, which is essentially a "contractual construction", an obligation in the nature of a contract (Sándor, 2017. p. 94-98).

In Islamic law (Sharia), a *wakf* is a combination of a family trust and a charitable trust. A *wakf* means something withheld, held back. Ownership of the thing is transferred by the founder to God and a trustee (*mutawilli*) is appointed to administer the property for the benefit of the beneficiary.¹¹ The settlor appoints the trustee. The trustee is primarily a qualified Muslim person appointed from the trustor's family. If the settlor does not appoint a trustee by the time of death, the right of appointment ultimately rests with the cadre. The *mutawilli* has the power to determine the beneficiaries. The property transferred must be permanent and may not be sold or alienated but may be leased for a maximum of one year. The property may only be exchanged or changed with the permission of the settlor. The prior consent of the settlor or the permission of the cadre is also required to encumber the property (Sándor, 2017, p. 98-103).

English law is made up of three types of law - common law, statute law and equity law. *Common law* is the case law of the royal courts. It is a body of law that is constantly built upon the principles of law laid down by judges in their judgments. Case law is the law of the decisions of the courts. The principles of law behind the case law decisions of the courts are binding and the hierarchy of courts and previous decisions must be taken into account when deciding similar cases. *Statute law* is the legislative law of the legislature, the king and then the parliament, similar to continental law. Statutes have precedence over common law. *Equity law* is the law developed by the royal chancery court on equity grounds. Equity is a body of specific laws based on principles of good faith and justice. Its basic function is to supplement and correct the errors of the common law. They have developed primarily in the fields of contract and commercial law. The principles of equity evolved from the use and trust in the jurisprudence of the Court of Chancery, which regulates the issues of trusts and form the body of equity law (Sándor, 2017. p. 36-48).

Use is the precursor of trust, which is the consequence of feudal land tenure. All property was ultimately vested in the lord, and the property acquired from the lord created a relationship of dependency between the feudal lord and the feudal tenant (feudal chain) and flowed back to the benefit of the feudal lord. According to use (equivalent of *ad opus*, for the benefit of someone), the tenant of the land had the right to possession of the land and was entitled to protection in

¹¹ Under Islamic law, the testator can dispose of 1/3 of the property, with the remaining 2/3 being determined by intestate succession. The answer is *wakf*, the *inter vivos* gift (Sándor, 2017).

return for which he owed certain services. After the Norman conquest, the king was the owner of all the land in the country and was granted tenure. The vassals included free and non-free vassals. The villeinage (serfdom) was paid in exchange for the villeinage, and later in exchange for money. There were two types of free fief (free tenant): heritable and nonheritable. In the case of the heritable freehold in inheritance, it was freely transferable between the descendants of the first vassal, or transferable by deed of gift, and reverted to the vassal only in the event of extinction. There were three limits to the alienation of fiefs in the Middle Ages: restrictions on free testamentary succession, common law limits and the laws of intestacy, which prevented the feudal tenant from disposing of the fief. Use was essentially a way of circumventing feudal restrictions, because there was a growing demand for the tenant to be able to transfer land to his heirs by will or inter vivos without having to ask the feudal lord's permission. The use was effected by the tenant (feoffer) entrusting the land to the trustee (feoffe) for his own use (use of himself) as beneficiary or for the benefit of persons nominated by him. By will (last will) or other arrangements he could appoint additional users. This made the land transferable between the living and in the event of death without the consent of the feudal lord. The trustee (feoffe) acquired ownership¹² and enjoyed legal protection. Its origins are religious, with roots in the Crusades. The use was a way for monks who had taken a vow of poverty to provide for their financial security. In the property model of the Franciscan monks, the property was not owned by the order but by a person in trust. Another source of use was that the knights who went off to the Crusades entrusted their property to a trusted person for the benefit and benefit of themselves and their families. The construct of use allowed for the disposition of real property in the event of death, which was not allowed under the common law. The trustee (feoffe) could sell the property and make payments out of it as the trustee directed. However, the institution of use was not recognised by the common law. If the feoffe did not in good conscience fulfil his obligation, neither the settlor nor the beneficiary (cestui que use) could proceed against him. Use became a general legal institution in the 14th century, and the chancery court (equity law) recognised the right of action of beneficiaries from the end of the 14th century. Henry VIII's *Statute of Uses* (1535) reclassified use, and made the beneficiary (cestui que use) the actual owner instead of the trustee (feoffe). The beneficiary acquired no rights but only title to take action against the trustee. The provision was also intended to register transfers of use of the property. As a compromise, the *Statute of Wills* (1540) allowed for the continued use of use for certain types of property (land acquired through soldiering, etc.). The effect of the two statutes, however, was that the feudal character of property was lost, common law transactions became more flexible, the institution of use was eclipsed and the trust became the starting point (Sándor, 2017. p. 48-69)

The jurisprudence then developed the practice of *use upon use*, which was a precursor to the trust. In a case (Sambach versus Dalston), the Chancery (equity law) made the second use enforceable by equity for fraudulent misrepresentation and generally enforceable (Sándor, 2017. p. 71). From the 17th century onwards, industry and commerce began to develop significantly in England, with agriculture taking a back seat. The industrial revolution from the mid-18th century gives the economy another boost. Economic development requires a new legal framework for investment. These were mainly the legal framework provided by the partnership, the deed of settlement company and the joint-stock company. The formation of joint-stock companies was subject to parliamentary or royal approval, but after the bankruptcy of the South Sea Company (South Sea Bubble, 1720), it became particularly difficult to form them, and so entities without a registered office or legal personality, such as trusts, became

¹² Medieval English law does not recognise absolute ownership of property, all property ultimately belonging to the sovereign. The peculiarity of property law was that ownership was identified with the right to dispose of things and to use them and receive their benefits.

common. After the demise of the privileged companies (South Sea Company, Sierra Leone Company, Levant Company) in the first half of the 19th century, unregistered companies, typically free to compete, were now operating as partnerships or trusts, with deed of settlement companies. From the middle of the century, it was free to form a limited company. The institution and scope of the trust was constantly expanding and developing (the development of the modern trust). It was used not only for the preservation and management of agricultural land (real estate), but also for the operation of farms, businesses and commercial and investment activities. The trust became a collective investment form and the *unit trust* an alternative to the joint stock company. In a unit trust, the units were treated as if they were shares and the trustee concentrated operational control and management and had the power to sell the portfolio. The regulation under equity law was also changed. The Chancery developed guidelines for the operation and investment of the trust. For example, unless otherwise provided by the trustee, it could invest only in government securities. It could delegate its power of representation if, in the trustee's discretion, it did not have the appropriate skills. It was possible for the position of trustee to be filled by a professional firm. The administration of the trust was required to be managed in the same way as a businessman in ordinary circumstances would manage his own. The trustee was held responsible for the restoration of the assets (application of a standard of care) and the position of trustee was made subject to the application of a fiduciary relationship. The trustee's moral duty became a legal obligation. The application of the trust was not altered by the judicial reform (Judicature Acts, 1873-1875), which brought the chancery court into the unified court system, and the equity law division of the supreme court was retained. The Statute of Uses was in force until 1925, when general rules were adopted for property (Property Acts of 1925) and trusts (Trustee Act of 1925) (Sándor, 2017. p. 70-78).

2.3.2. Trust and fiduciary asset management

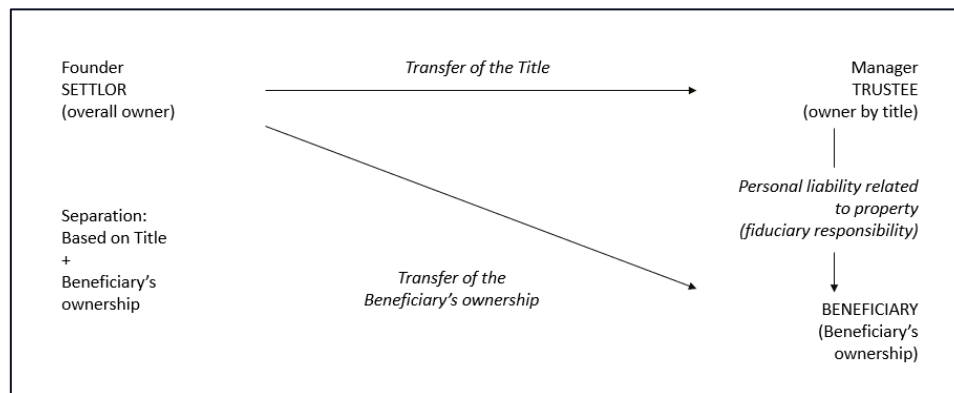
In a trust, the settlor transfers the ownership of the property in such a way that it is divided between the trustee and the beneficiary. The settlor (trustor, grantor, founder, creator) is the person who creates the trust. The trustee is the person who becomes the owner of the property. The beneficiary (*cestui que trust*) is the person who is the beneficiary of the benefits and/or the expectant of the property transferred to the trustee. The trust property is the property under administration, the property transferred by the settlor to the trustee to be administered for and in the interest of the beneficiary (Sándor, 2017, p. 116, B. Szabó et al., 2018).

Hudson (2010) defines a trust as imposing an equitable obligation on the person who is the legal owner of the property (the trustee), requiring him or her to act in good faith in administering the property for the benefit of any person who has a beneficial interest in the property. The trust is said to have four defining *characteristics*: dual ownership, the right of beneficiary, the obligation of trustee and the fiduciary (temporarily vested) relationship.

(1) *Dual ownership*. The property status of a trust is based on the dichotomy of common law and equity law, as a consequence of the tripartite structure of English law sources (common law, equity law, statute law). The trust confers on the trustee legal ownership of the trust property under the common law. The beneficiary receives equitable ownership, a limited right in rem, of the trust property under equity law. This right will be the basis for the trustee's duty of accountability and loyalty to him. In other words, the trustee is obliged to manage the trust property solely for the benefit and in the interest of the beneficiary (Scott, 1917, Langbein, 1995, Sándor 2017, B. Szabó et al., 2018). The trust treats the property as a unit and gives both the trustee and the beneficiary absolute, in rem protection over the trust property (Scott, 1917,

B. Szabó et al., 2018). The trustee has title to the property (real estate, assets). His right is administered by common law and the beneficiary's right (equitable interest) by equity law.

Figure 18: Dual ownership structure of the trust



Source: based on Hudson (2010) own ed.

(2) *The right of the beneficiary.* The beneficiary's right is the equitable interest. The beneficiary has a contractual legal claim against the trustee and a legal claim in rem on the trust property. This arises from the fact that the right to property is only one of the rights which may exist in a thing, since a property right may take several forms. Under equity, the main entitlement of the beneficiary is to exclude or restrict the use of the property by all others who are not beneficiaries (a right enforceable against all). A secondary right is the right to recover the property and its benefits if the trustee fails to act properly (a right enforceable only in specific cases) (Sándor, 2017).

(3) *Obligation of the trustee.* Upon the creation of the trust, title is transferred to the trustee, who becomes the legal owner and holds the assets for the benefit of the beneficiaries. The most important feature of the trustee is that he or she is not entitled to assert personal, proprietary ownership of the trust property (Hudson, 2010). The trustee is obliged to hold the original property or any property that replaces it in trust for the benefit of the beneficiaries as part of the trust property. The standards of conduct expected of the trustee are based around the principles of loyalty, good conscience, care and prudence, the duty of cooperation of trustees and fiduciary responsibility (Hudson, 2010). The trustee of trust property must act in good conscience (good faith) in the minutest details. He should avoid conflicts of interest between personal interests and those of beneficiaries. As a general rule, the trustee is expected to exercise a duty of care and prudence, which includes a duty of good stewardship and a duty of sound administration of the assets under his/her care. Where more than one trustee is appointed, as a general rule, the trust property must be vested in the joint names of all the trustees, who must act jointly and are jointly and severally liable. The liability of the trustees for breach of trust is twofold. The trustees have a duty to account to the beneficiaries both for the value of the assets held in trust and to compensate the beneficiary for the loss caused to the beneficiary by the breach of the trust deed, on a causal basis. Hudson (2010) sets out the duty of the trustee of trust property in thirteen points. (1) Duty to inform the trustee before accepting the position of trustee (antecedents, circumstances, etc.) (2) Duty to comply with the provisions of the trust instrument (unless otherwise ordered by the court). (3) Protection of the assets of the trust, including preservation of the assets and that they are managed in accordance with the guidelines in the trust instrument. (4) Conduct of a disinterested nature towards beneficiaries and avoidance of conflicts of interest. (5) Duty of care: conduct of a businessman acting with reasonable care on

behalf of another. (6) Responsibility for the operating expenses of the trust. (7) Seeking prudent investments and acquisitions that produce the highest return. (8) Establishing an appropriate trust portfolio structure. (9) Seeking to avoid conflicts of interest, not receiving undue income, not engaging in proprietary trading, duty of good stewardship. (10) Shall maintain the trust of beneficiaries and the Chinese wall policy of seeking separation in transactions. (11) Shall not carry out its activities for consideration unless the trust or the rules of law so require. (12) Shall be accountable and accountable to beneficiaries. (13) Duty of materiality: to consider material aspects and disregard irrelevant aspects in the management of assets.

(4) *The fiduciary relationship.* A fiduciary is a person who, in a fiduciary (trust) relationship, is bound to act in the interest of the other party or parties, to the exclusion of his or her own interest. The fiduciary's duty is not to abuse his position, his opportunity and/or his knowledge derived from it for his own benefit or for the benefit of a third party, unless the law or the other party to the contract so permits. The fiduciary shall not, in the course of his duties, take advantage of his position or enter into a conflict of interest with the other party. He may not enrich himself to the detriment and at the expense of the other party, nor may he engage in competitive activities with the other party (Finn, 1989, Sitkoff, 2011). The fiduciary relationship may arise from contractual and non-contractual facts. The essence of the fiduciary relationship is the three main obligations associated with the fiduciary position (Sitkoff, 2011, Sándor, 2017): (i) *loyalty*, the fiduciary's obligation to manage the property in the best interests of the beneficiary. It cannot take into account the interests of any other third party or its own. He must manage the trust property solely in the interest of the beneficiary and must not enter into any legal transaction that would conflict with the interests of the beneficiary. (ii) *Impartiality*, the duty not to favour any beneficiary over another beneficiary or to act to the detriment or expense of any beneficiary. (iii) *Prudence*, the duty of prudence, the duty to act with due care and not to take excessive risks with the property he manages. The person in a fiduciary position exercises his or her own right and the trustee consequently acts in his or her own discretion when managing the assets (Sándor, 2017).

Delimitation. The fiduciary asset management relationship and the institution of a trust are economically identical in substance. In both cases, a settlor transfers property to a trustee to be held by the trustee for the beneficiary. The trustee manages the assets transferred to him. It manages the assets and makes decisions on the structure, composition and growth of the assets. It is responsible for safeguarding and increasing the value of the assets, managing internal and external market risks affecting the assets. The difference between the two institutions is legal-dogmatic. The creation of a trust creates a legal relationship in rem, where the trustee and the beneficiary become owners (dual ownership). The trustee becomes the legal owner (common law and title) of the property, the legal owner of the property. He has full and absolute rights and general powers over the transferred property (Hudson, 2010). The beneficiary, on the other hand, has a claim to the property (under equity law). In contrast, a trust is a contractual relationship. It is a trust-type contract, where the settlor entrusts the trustee with the task of administering the trust for the benefit of the beneficiary. A de jure ownership position is created temporarily with the trustee and then, when the term (maturity) occurs, the beneficiary becomes the owner by releasing the property. During the trusteeship period, the trustee has only a contractual obligation towards the beneficiary.

2.3.2.1. International standardisation

The development of fiduciary asset management schemes (trusts, treuhand, fiducie, etc.), which differ from country to country, is due to the different legal doctrinal approaches of each legal

family: common law, continental law, mixed law, religious law. These differences are reflected in the conflict of laws of countries in private international law disputes and have triggered a drive for international unification and mutual acceptance.

After several attempts¹³, the Hague Convention on the Law Applicable to Trusts and on their Recognition (hereinafter "the Convention") was adopted on 1 July 1985 and entered into force on 1 January 1992. The Convention allows the recognition of trusts in private international law cases in countries where they are not known, mainly in civil law, without changing the domestic law of the country concerned. Its significance is that it declares the separate nature of trust property, for which it has established an internationally accepted universal definition. According to the definition set out in the second article of the Convention, a trust is a legal relationship between living persons (*inter vivos*) or on death, established by one person (the settlor) by placing his assets under the control of another person (the trustee) for the benefit of a third party (the beneficiary) or for a specific purpose. A trust under the Convention has three defining characteristics. (1) The separate nature of the property. The assets held in trust form a separate fund and are not part of the trustee's own assets. (2) The right to administer the trust property (title to the trust property) is vested in the trustee or in another person acting under a power of attorney granted by the trustee. (3) The trustee has the right and the duty, under which he is accountable, to administer the trust property. Use, acquire or dispose of it in accordance with the specific duties imposed by the instrument (provision) creating the trust and by law.

There have also been efforts at EU level to harmonise legislation. One such was the development of the Principles of European Trust Law in 1996, which is essentially a guide to the interpretation of trusts. The guide sets out a model statute and a definition of a trust. The definition is based on the common law approach (i.e. the trustee becomes the owner of the property under management). The DCFR (Principles, Definitions and Model Rules of European Private Law, Draft Common Frame of Reference, DCFR) was published in 2009 as part of the EU Commission's drive for a uniform European property law and harmonisation of European contract law. The DCFR provides a model for the definition of trust (DCFR, Book X) in a contractual (contract) law approach. However, the DCFR is a non-binding soft law instrument, which is a recommendation containing principles and model rules of contract law (Sándor, 2017, DCFR, 2009.)

2.3.3. Interpretation of the institution

From antiquity, it has been known as the satisfaction of an economic need, whereby a trustor hands over his assets to a person of his choice for management. The designated person manages the property on the basis of the rights and obligations delegated to him for a predetermined period or until a predetermined condition occurs, and is responsible for its safekeeping for the person or persons designated by the trustee.

There are several legal instruments for the separation of ownership from the disposal (management) of property: (1) "the management of property through an entity with separate legal personality from the owner of the property" and (2) "contractual based relationships in which one entity is given the legal position to make ownership decisions, with the benefits generated by the disposal enriching the assets of another entity" (B. Szabó et al, 2018, Hajdu,

¹³ Such attempts were the 1937 Paris *Semaine internationale de droit*, the 1952 Fourth International Conference of the Legal Profession in Madrid, the 1959 Rome *Congrès international de droit privé des instituts internationaux pour l'unification du droit privé* (Sándor, 2017).

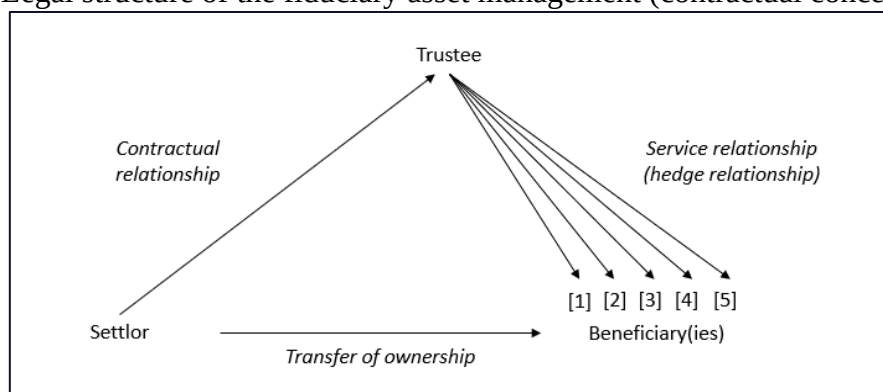
2022, Menyhárd in Békés et al., 2020. Chapter I). The legal-dogmatic debate is whether the focus of the wealth management is on the management of the assets or on the performance of the obligation towards the beneficiaries. The management of property may be effected either by transferring ownership (title) of the property to the manager (a legal concept of property in rem) or by transferring ownership directly to the designated persons and creating an obligation on the manager to perform (a legal concept of obligation).

2.3.3.1. Legal interpretation

The legal institution of fiduciary asset management (trusts) was introduced into the Hungarian legal system by the Civil Code which entered into force on 15 March 2014 (Civil Code, Act V of 2013, Book Six, Law of Obligations, Title XVI - Contracts of Trust, Chapter XLIII - Trusts)¹⁴. By a trust deed, the settlor transfers marketable goods (assets) to the trustee with the obligation to exercise the rights of ownership (rights of disposal, use and enjoyment) acquired by the transfer in favour of another person(s), the beneficiary(ies). A legal transaction where 'the ownership of specific things, rights and claims forming part of the property of one entity (the settlor) is transferred to another entity (the trustee), who, by exercising the discretionary powers thus obtained, must use the property entrusted to him for the benefit of a third person (the beneficiary)' (Vékás et al., 2018, Chapter XLIII).

In a fiduciary asset management (trust), "one legal entity transfers the right to dispose of property which it owns to another legal entity, which must use the property thus transferred for the benefit of the transferor or a third party by exercising the right of decision." (Menyhárd, Békés et al., 2020, Chapter 1). Fiduciary asset management (trust) is a three-party legal relationship, the actors being the settlor, the trustee and the beneficiary. It is structured as a *trust* for the benefit of a third party. The relationship of value, the final transfer of assets, is between the settlor and the beneficiary (see Figure 19). A service relationship is created between the trustee and the beneficiary because the trustee is obliged to provide services to the beneficiaries under the provisions of the trust deed. The trust deed is also a hedge of the service relationship between the trustee and the beneficiary. The assets transferred to the trustee by the transfer of assets provide the cover for the beneficiary's service, because the trustee provides the service out of the assets under management and not out of his own assets (Menyhárd, Békés et al., 2020, Chapter 1).

IFigure 19: Legal structure of the fiduciary asset management (contractual concept)

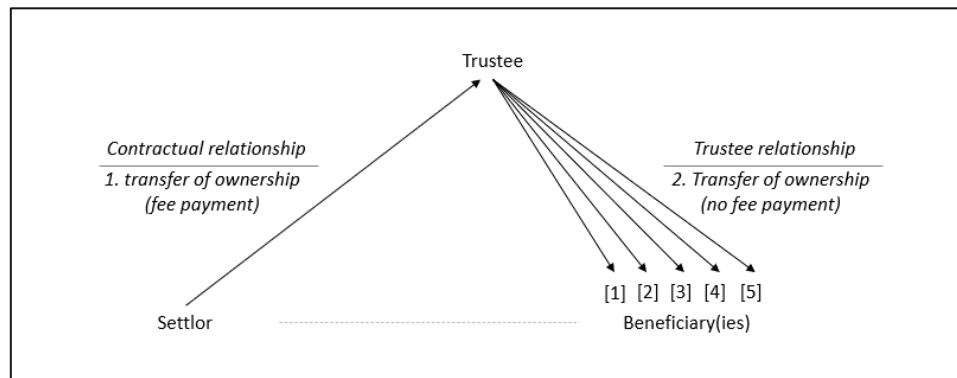


Source: own editing

¹⁴ The application of the legal instrument is supported by the rules of Act XV of 2014 on "Fiduciaries and the Rules of their Activities" (Bvktv) and Government Decree 87/2014 (20.III.) on "Certain Rules on Financial Guarantees of Fiduciary Enterprises".

According to Sándor (2017) and B. Szabó et al. (2018), the trust deed - irrespective of the fact that the new Civil Code places it among the contractual constructions - has significant *substantive* effects. Its defining feature is the transfer of property or other rights in the course of the trust. The legal title of the transfer of property is a trust, which can be created by three types of legal transaction: contract, will, unilateral declaration. It consists of two transfer of property operations - the disposition of property and the disposal of property. (See Figure 20.) The disposition of property is a transaction of transfer of property in rem, but with the opposite sign to the contract of sale. It is the party acquiring the title, the trustee, who will be entitled to the remuneration, not the transferor. The transfer of the property is a gratuitous transfer of ownership transaction, since the transferee does not give any consideration for the transfer. Trusts have three characteristics. (1) The settlor transfers ownership of the assets of the trust to the trustee. (2) The trustee acquires an unrestricted ownership right in rem over the trust assets. (3) However, the trustee is constrained by the trust deed and the interests of the beneficiaries (B. Szabó et al., 2018).

Figure 20: Legal structure of trusts (in rem concept)



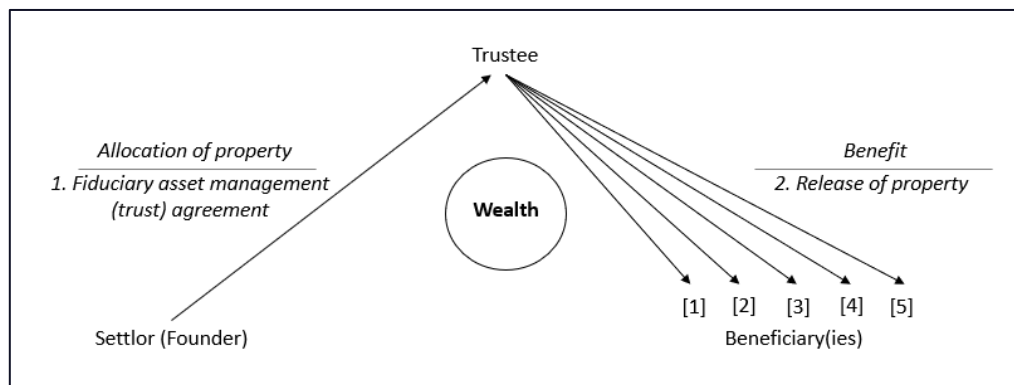
Source: based on Sándor (2017) own ed.

Whichever legal doctrinal approach to asset management - property law (property rights) or contract law (contract law) - is taken, the essence of asset management is *responsible* stewardship based on *trust* in the interests of others. Under a trust contract, the trustee is obliged to manage the property, rights and claims entrusted to him by the settlor, to administer the assets managed on his own behalf for the benefit of the beneficiary, and the settlor is obliged to pay a fee (Civil Code, Art. With this rule, the "Civil Code has essentially introduced a new form of property law, the *fiduciary property right*, which embodies the right of limited disposal, for the benefit of the property under administration" (Csehi et al, 2021, p. 1905).

2.3.3.2. Economic interpretation

In terms of its economic content, a fiduciary asset management *is the circulation of property*: the allocation of property, the management of property and the release of property. As in the case of futures, it can be described *as a combination of two opposite transactions*, the assignment of assets and the release of the trust assets to the designated person at the end of the contract (reflux). In the intermediate period between assignment and release, the trustee incurs *a management obligation* on the transferred assets as a result of the transfer of the right of disposal. This management obligation concerns the preservation and growth of the value of the asset and the provision of the benefits to the beneficiaries as specified in the contract (Hajdu, 2022), since the state of the asset is constantly changing, and the asset has a dynamic nature (see Figure 21).

Figure 21: The system of the fiduciary asset management



Source: own editing

A fiduciary asset manager is a fixed-term *trustly wedge* between the transferor (incumbent), the transferee (beneficiary) and the assets, with a separate organisational structure and, in most cases, a separate legal personality for intermediaries.

The central element of fiduciary asset management is the *assets under management*. The active and passive behaviour and actions of all three parties - the settlor, the trustee and the beneficiary - are directed towards the assets throughout the duration of the trust agreement and are related to the assets (Drótos & Hajdu, in Békés et al., 2020, Chapter 6). The assets under management are transferred to the trustee by the settlor (incumbent). In its interpretative provisions, the Civil Code (Act V of 2013) defines the concept of property, according to which property is: a thing, a right, a claim (Civil Code, Art. 8:1. § (1)). Property as "the totality of rights and obligations of a legal entity in a pecuniary interest related to the person of a legal entity" (Lábady, 2017, p. 213) is not directly defined by the law, but the trust property is already explicitly described, according to which the trust property is the totality of things, rights and claims given by the settlor to the trustee (Civil Code, Art. 6:310. § (1)). Accordingly, its object can only be assets. The settlor therefore does not transfer all his estates, but *his designated assets* or the totality of his properties to the trustee.

A fiduciary asset management (trust) treats the asset under management *as a separate whole* (separate entity) because the asset under administration includes the property, insurance, compensation or other value that replaces it, and the benefits of all these, even if they are not included in the register of the property transferred for administration (Civil Code, Art 6:312 (3)). The property held in a trust becomes the property of the trustee only in law, but not in economic terms, as a result of the contractual form of trust. The trust enterprise¹⁵ must recognise the assets held in trust as a liability *in its accounting records*. Assets under management are a temporary asset and a relative ownership structure. It is a transitional asset because the assets start from the settlor and become the final property of the beneficiary or the person appointed in the event of termination (Csehi et al., 2021). It is a relative ownership structure because the trustee is the owner of the assets under management (assets, rights, claims) to everyone except the beneficiaries and the trustee's own creditors¹⁶. (Civil Code, Art 6:313 (1)). The beneficiary may contractually claim from the trustee the release of the trust property and its benefits (Civil Code, Art. 6:314 (1)).

¹⁵ By "manager" I mean the definition in Article 3(1) of Act C of 2000 on Accounting (Act on Accounting).

¹⁶ No claims may be made on the assets held by the trustee's spouse, civil partner, personal creditors or creditors of other assets held by the trustee.

2.3.4. Attributes of the shape

A fiduciary asset management (trust) is by default a *three-pole (party)* contractual relationship. (See Figures 18 and 19!) Formally, it is a contract for the benefit of a third party¹⁷. Any person, natural or not, with legal capacity, can be in any position. For the settlor and the trustee, capacity to act is a condition. Becoming a beneficiary is not conditional on having a legal declaration, nor is it a condition for a tripartite legal relationship that there must be three legal entities. The settlor may nominate himself as beneficiary or appoint himself as trustee¹⁸.

The *trustee* is the legal owner of the assets under management. The holder of the rights to dispose of the property, such as the right to use, possess, exploit (orchard), alienate, encumber, destroy. His behaviour is limited by a contractual relationship and by law. He may do anything that is not excluded by the specific trust deed and by law (claudication cogency).

The *fiduciary (trust) relationship* implies that the content of a trust is the fulfilment of *conduct expectations* and general standards towards the trustee of the property. The heightened requirement for the trustee (§ 6:317 of the Civil Code) is a higher standard than the general standard of expectation (what is generally expected in a given situation) (Csehi et al., 2021). According to Hudson (2010), equity rests on the conscience of the owner of the legal interest. In the case of a trust, the *conscience* of the legitimate owner (i.e. the trustee) requires him to fulfil the purposes for which the property was transferred to him or which the law expects of his conduct.

According to Hudson (2010), the *way in* which the trustee is required to manage the assets entrusted to him or her is the essence of trust. He argues that such factors and principles, which determine the way in which a trust is administered, and which are reflected in the Hungarian codification, are.

- Requirements concerning the *person* of the trustee (conflict of interest, transparency, qualifications) and the (*material*) conditions of operation (registration, accounting, publication, financial guarantees)¹⁹.
- The *scope* of the *obligations*, which derive from the rights conferred by the written contract and give the trustee and beneficiaries a right of recourse in the event of a breach of the limits²⁰.
- The *principle of equal treatment and impartiality*, through the obligation to inform and account, liability rules (liability towards the settlor and beneficiaries)²¹.
- *The principle of enhanced caution and care*. The trustee must act in the best interests of the beneficiaries²². It must not take excessive risks and must safeguard the assets under its management. The heightened requirement implies a higher standard of care compared to the general standard of care, because it must preserve and use assets belonging to another person for consideration (Csehi et al., 2021).

¹⁷ Fiduciary trusts can also be implemented in a bipolar construction, because the trustee can also be entitled (Civil Code. The legal relationship may include more than one person on each of the three poles, i.e. the trustee, the trustee and the beneficiary (entitled).

¹⁸ The Civil Code only prohibits the trustee from being the sole beneficiary (Civil Code. § 6:311 (4)).

¹⁹ See Bvktv. § 4 and 6!

²⁰ See Civil Code. § 6:310 (2) and § 6:318!

²¹ See Civil Code. § 6:320 and § 6:321 (3)!

²² See Civil Code. 6:317. §!

- The trustee is obliged to pursue activities that provide income/value preservation in accordance with the *principle of business management duty*, while exercising prudence and seeking the highest return. This is an enhanced requirement. Efforts should be made to preserve and utilise assets in such a way that growth outweighs the risk of significant loss of assets. Wealth should be used up, losses avoided, and risks weighed. It must act in a more careful and prepared manner than its own²³.
- *Prohibition of unjust enrichment*. The limits of the trust are set out in the contract, for which the law provides a right of recovery (Csehi et al., 2021). The limit also affects the party contracting with the trustee, because the acquisition of rights by a party who has contracted in bad faith or for free can be challenged and recovered²⁴.
- *Costs and accountability*. Normal costs are advanced by the Trustee. Reasonable costs may be met from the assets under management, subject to an obligation to account for them afterwards. On liquidation (until the transfer), the trustee must account for the assets, their profits, losses and costs²⁵.
- The trustee is bound to *confidentiality in* all directions of the legal relationship (settlor, beneficiary),²⁶ and without time limitation. A trust deed is a private, non-public, confidential agreement between the parties²⁷.
- *Reporting and reporting obligations*. The trustee is required to provide information on the state of the assets, their composition, any changes and the commitments entered into, and to provide an itemised statement of expenditure and income on the assets²⁸.

The persistence and extent of contractual obligations *is the paradoxical problem of fiduciary trusts*. The contract can be revoked or modified by the settlor during his lifetime, but not after his death²⁹. Upon the death (dissolution) of the settlor, as the settlor ceases to exist and is not replaced, the contract and the trust terms and guidelines set out in the contract are perpetuated³⁰. The trustee can no longer be instructed once the contract has been concluded (lack of power to instruct³¹), and once the trustee dies it can no longer be revoked. However, the condition and value of the assets held in trust are subject to constant change due to the economic environment. This is particularly true if the family business(es) is part of the assets under administration. Paradoxically, the problem may arise from the need to change the rules governing the administration of assets and to make them more dynamic. This will not be possible, however, because of the excessive constraints (regulation) that may be imposed in the contract, and therefore the contracts should be drafted with provisions at the time of their conclusion that give the trustee sufficient freedom and leeway to change the structure of the assets managed and to make the assets dynamic. This will ensure that the value of the assets is preserved and

²³ See Civil Code. 6:317 § (2) and Bvktv. § 45!

²⁴ See Civil Code. 6:318. §!

²⁵ See Civil Code. 6:322 and 6:327!

²⁶ When a trust is granted to a company, the trustee is entered in the company's share register as the owner of the assets, making both the settlor and the beneficiary "invisible".

²⁷ See Civil Code. 6:319. §!

²⁸ See Civil Code. § 6:320 and Bvktv. § 39 - 41!

²⁹ A fiduciary relationship established for a fixed term or for a fixed term of more than fifty years terminates after fifty years (Civil Code. 6:326 (3)), although the law does not exclude the possibility of renewal.

³⁰ In the event of the death of the trustee or his or her dissolution without legal succession, the beneficiary may apply to the court for the trustee to be recalled, with the simultaneous appointment of another trustee (Civil Code. 6:325 (1) - (3)).

³¹ See Civil Code. 6:316. §!

increased. In its absence and in the presence of excessive contractual commitments, the assets under management may even be depleted³².

The *settlor* is the person with legal capacity who determines the property to be held in trust and appoints the trustee³³. The trust deed shall contain a statement of the manner in which the trust is to be administered and the policy for the management of the property. It specifies the further terms of the trust: (1) the duration of the trust, which in Hungary is up to fifty years³⁴, (2) the remuneration of the trustee, (3) the characteristics of the appointment of additional trustees and the use of other intermediaries. The trustee may not instruct the trustee but may control him and may recall him at any time, until his death, by appointing another trustee³⁵. The trust deed shall specify the beneficiaries and the conditions for the opening and termination of the beneficiary's entitlement. You can also determine the beneficiaries by assignment and provide that the right will only open upon the occurrence (fulfilment) of a condition or after the passage of time (Sándor, 2017).

The beneficiary can be any legal person with legal capacity. It may be a legal entity or a natural person, as well as a person with limited capacity to act. The beneficiary is placed in the position of beneficiary under the trust deed concluded between the settlor and the trustee. The beneficiary is not the holder of the assets (property elements) included in the trust property but is placed in the position of a contractual rightholder (Menyhárd, in Békés et al., 2020, Chapter 1). The content of his claim is determined by the trust deed. His claim against the assets under management opens upon the expiry of the trust deed. Until the expiry of the contract, his position can be described as a contractual claimant (Menyhárd, Békés et al., Chapter 1, 2020). However, his interest in rem is protected because he is granted asset protection for the assets included in the assets under management. It is not subject to execution by the trustee's creditor and is not part of the trustee's estate. The beneficiary's right to dispose of the assets and their scope is limited. The beneficiary's right is twofold (Csehi et al., 2021). (1) He is entitled to the benefit of the property specified in the trust deed for the duration of the trust deed. This is the trustee's obligation to the beneficiary. (2) The beneficiary becomes entitled to the release of the assets held and the benefits accruing from the assets at the expiry of the trust contract (or upon the occurrence of the conditions set out in the contract). From that time the property or claim becomes part of his estate, and its release becomes due. The right of release arises on the assets under management. From this date, the beneficiary's creditors can also claim the beneficiary's assets³⁶.

In a fiduciary (trust) relationship, the place of risk (the beneficiary of the trust) is separate from the management of the asset (the property). Consequently, the fiduciary's incentive to seek the highest return and otherwise protect the asset (wealth) is weakened because any gain/loss is attributable to the risk bearer³⁷. In order to avoid loss and maximise return, the risk bearer (the settlor and subsequently the beneficiary) must monitor the activities of the trustee. Its remuneration should be set in such a way as to provide a financial incentive and to enable the

³² See Civil Code. 6:326 § (1) a)!

³³ However, a trust deed is a bilateral legal transaction and requires the declaration of acceptance of the trustee (Civil Code, § 6:310).

³⁴ A fiduciary relationship established for a fixed term or for a fixed term of more than fifty years terminates after fifty years (Civil Code. 6:326 (3)), although the law does not exclude the possibility of renewal.

³⁵ See Civil Code. 6:316 and 6:325!

³⁶ See Civil Code. § 6:314 (However, it is questionable whether this claim can be encumbered before that date and how a transaction concluded for the purpose of a deduction of collateral is to be treated.)

³⁷ See Civil Code. 6:323 (1)! The trustee is responsible for the fulfilment of the obligations undertaken with the assets under management.

trustee to seek to maximise returns and avoid poor returns. Paradoxically, however, the management fee is set at the time the contract is concluded, so that it cannot be changed once the settlor ceases to be a trustee (dies) and remains unchanged until the contract expires. The contract should therefore set the fees at the time of the grant (indexation, conditions for modification, etc.) in such a way as to maintain the trustee's motivation throughout the entire term of the trust (up to 50 years).

2.3.4.1. The issue of fiduciary responsibility

A characteristic of a fiduciary relationship is that the fiduciary has *unrestricted control* over property owned by another person, or the fiduciary has discretion over the other person's property (Boxx, 2012). The greater the power of the fiduciary (i.e. the trustee) and the less power and control of the beneficiary, the greater the fiduciary duty. According to Boxx (2012), fiduciary responsibility is the most vertical of the fiduciary relationships because the beneficiary has virtually no control over the activities of the trustee. He has limited ability to monitor and control the trustee's activities and to terminate the relationship by removing the assets (property) from the trustee's control. There are no other control mechanisms at his disposal (for his protection) except judicial supervision.

Two types of fiduciary duty are distinguished: the duty of care and the duty of loyalty (Scott, 1948, Rock, & Wachter, 2002, Langbein, 2004, Hudson, 2010, Boxx, 2012).

- (1) The duty of *care* is the duty to perform competently and to achieve the trust purpose. It includes the duty to act prudently, to protect the property entrusted to the trustee and to keep the property separate from the trustee's own property. The prudent investment of assets, which implies a duty to seek diversification of assets, a duty of accountability and a duty to act impartially towards the persons involved in the trust.
- (2) The duty of *loyalty* is the duty of selflessness. The trustee has a duty to refrain from exploiting the fiduciary relationship for personal gain. He has a duty to refrain from obtaining any benefit other than reasonable compensation.

According to Boxx (2012), the fiduciary asset management of a company focuses the academic debate on fiduciary duty in the context of the fiduciary (trust) and the business entity (firm). If a company's fiduciary asset management is characterised by excessive obligations (duties of care and loyalty), it actually provides less protection to the beneficiary. If the trustee's discretion is overly regulated (restricted) in the trust deed, it may lead to counterproductivity and may impair the business performance of the company and the success of the business, and therefore in the case of a company under fiduciary asset management (trust), much more freedom (discretion) should be given to the trustee. According to Boxx (2012), there are economic reasons for this, which can be traced back to external and internal factors. An external factor is the constant change in the economic, social and legal institutional environment. Different external conditions require different corporate responses. Internal factors are due to the fact that the enterprise is a constantly evolving organic entity adapting to environmental factors. Changes in external and internal factors require flexibility in management and ownership. The solution lies in adapting asset management and contractual conditions to the situation and in transferring decision-making competence to the trustee. This power - i.e. the scope of the trustee's decision-making competence/authority - is based solely *on trust* and the trustee's *conscience*, which is an unenforceable norm of conduct and expectation.

2.3.5. Asset management paradox: value preservation vs. value enhancement

The management of property entrusted to a trust, the totality of the management of the assets of the trust. The content of the asset management may be active, passive or a combination of these. Passive trust management is the preservation of wealth and value, while active trust management is the attempt to increase value and/or income. The greater the number of asset items or the more asset management involves the management of a company, the more active the asset management. The fiduciary management of a (family) business is different in substance from the passive management of other assets (movable property, real estate, etc.). This is because the trustee must be continuously involved in the ownership and management decisions of the asset company, in addition to providing the beneficiary benefits.

The composition and aggregate value of the assets under management is constantly changing, i.e. the assets are dynamic. Changes in the value of the assets are determined by the assets that make up the assets (which, according to the Civil Code, are the assets of the assets). 8:1(1)(5) of the Property Act (Property Act)³⁸, rights³⁹ or claims⁴⁰), because their condition is constantly changing. If the asset is an equity interest in an enterprise, its value is a function of the underlying enterprise's ability to generate income (its cash flow)⁴¹. The value of assets changes over time after they are placed in trust. Based on any valuation approach (net present value, liquidation, market, net asset value, etc.), the value of the asset will be different from its value at the time of transfer. The deviation is caused by dynamics, which may be significant in particular if the holding period is sufficiently long or explained by unexpected reasons.

There is a consequent inherent contradiction in fiduciary trusteeship. The trustee receives the assets for safekeeping and to cover the payment of beneficiary benefits. He manages the assets under trust as a relative owner. The two attributes of fiduciary responsibility are the duty of care and the duty of loyalty. The heightened standard of care required of its trustees is higher than the standard of care generally expected. He may do anything with the property, subject to the limitation that he must keep the property under his care separate from his own property and that the other property he replaces will be part of the property. However, the asset is not an unlimited source of beneficiary benefits⁴². It must be managed for the purposes of value preservation, value enhancement and income generation, i.e. an active asset management is required. This also follows from the duty of care attached to the legal status of a trustee. However, value enhancement and income generation *objectives* may *conflict*.

The inherent contradiction of (fiduciary) asset management arises from the fact that the preservation of value (value creation) and the generation of income - the payment of benefits to beneficiaries - are counteracting, contradictory. This arises in particular when the object of the trust, the assets under management, is a business/family business. The income (dividends) from the business, the primary source of payment of the beneficiary benefits, represents an outflow of funds from the estate. This will erode the value of the business, the value of the assets, in the long term. The outflow of income will be in conflict with the increase in the value of the enterprise, which is achieved through the reinvestment rate, the reinvestment of the income generated and the growth it generates. Conflict may arise between beneficiaries because

³⁸ For example, real estate, movable property, shares or any securities, etc.

³⁹ For example, a right of pecuniary value, a derivative right, etc.

⁴⁰ For example, third party debts, insurance entitlements, etc.

⁴¹ The value (based on an external market valuation) and condition (due to internal wear and tear, etc.) of any other asset (real estate, movable property, etc.) that has no internal dynamics can also change continuously over time.

⁴² The trust ceases to exist when the assets under management run out (Civil Code. 6:326 (1)).

the beneficiary interested in the benefit and income payment (dividend payment) will be in a conflicting position with the beneficiaries interested in the increase in the value of the assets (the enterprise) generated by the reinvestment rate. At the centre of the conflict is the trustee, who, under the terms of the trust deed, owes a duty of care to manage the assets, to achieve the trust's objectives and to pay the benefits. The trustee will have an increased responsibility to ensure the increase in value and the payment of dividends (income), which in itself creates a paradoxical situation for him, since one can only be achieved at the expense of the other. Consequently, there is a *necessary shift* from a strict responsibility for the preservation of assets to a responsibility for the assets under management as a portfolio. *The evolution of risk in asset management*, as I understand it, means that there is a necessary shift from the classical value-conserving asset management, the prudent person approach, to modern portfolio management, and from diversification and a certain degree of risk-taking to the prudent investor approach.

2.3.6. Prudent man vs. prudent investor approach

The liability issue of a trust is more complex than that of a normal business oriented portfolio management. When a trust is granted, it is also necessary to settle the subject and scope of liability. What type and extent of liability should apply to the trust: should the liability in relation to the management of the business entrusted to the trust be objective or contractual? The fiduciary assets management is less controlled than the general investment portfolio management. The managers of general business investment portfolios are subject to legal and regulatory supervision: stock exchange, securities and banking regulations and controls. Asset managers are qualified professionals whose remuneration is typically linked to the performance of the assets under management and whose responsibility is objective. In contrast, a trust type of trusteeship is characterised by a greater degree of independence, as its operations are not directly supervised by regulators and its *responsibility is subjective*. Beneficiaries are often incapacitated or have limited capacity to act, who paradoxically can only exercise control of the trust based on information from the trustee. The capacity of beneficiaries to control also depends on the nature of the assets managed. While the value of a marketable asset or an ownership interest in a publicly listed company is easily controllable, the control over the activities and the real value of a private company is limited. External control can at most be achieved through legal proceedings. The remuneration of a fiduciary is typically fixed and does not depend on the performance or appreciation of the portfolio of assets under management (Boxx, 2012).

Another important difference between a market participant investing in a business portfolio and a trust beneficiary is that the market investor has no restrictions on its scope of action and can sell its interest at any time. This option is not available to the beneficiary. A market investor can diversify its investments and can easily liquidate them (sell them, liquidate them). The beneficiary of a trust *has limited room for manoeuvre (headroom)*. It is impossible, or only if the legal conditions are met, for him to remove his assets (property) from the trustee's control if he is dissatisfied with the trustee's performance (Hudson, 2010, Fan, & Leung, 2020).

The fiduciary duty, or the "*enhanced requirement*" (Civil Code, Art. 6:317 (1)) is the trustee's obligation related to the fiduciary asset management. This must be fulfilled on the basis of the duty of care, according to the standard of conduct generally to be expected (Civil Code, Art. 1:4) and the duty of loyalty, taking into account the primary interests of the beneficiaries (Civil Code, Art. 6:317). Actual performance, however, *depends on* the nature of the asset and the circumstances of the trust (Rock, & Wachter, 2002). The trustee must perform in accordance with the "*requirements of commercial reasonableness*" (Civil Code, Art. 6:317 (2)). In the case

of the market investor, if the element of the portfolio is a public company share or marketable security, the large number of shareholders (investors) makes the size of the share irrelevant (dilution of ownership) and the fiduciary duty is eliminated due to the loss of the direct link between the shareholder and the company. Conversely, if the fiduciary has only a small number of beneficiaries and/or in a private limited company with a higher per capita ownership, the relationship is more personal and the fiduciary duty is significant (Sitkoff 2011, 2012, Boxx 2012).

The concept of fiduciary responsibility towards the fiduciary has undergone a turnaround, especially with the rise of efficient capital markets and modern portfolio theories. The (fiduciary) trustee's responsibility for the assets under management has shifted from the preservation of the assets to the preservation of the value of the assets. This responsibility also includes the trustee's duty to diversify. In addition to diversification, the fiduciary may also take on more risk than was previously (traditionally) perceived, because some risk-taking is necessary to preserve the overall value of the assets under management as a whole (UPIA, 1994, Langbein, 1995.b, Halbach, 2000, UTC 2000, 2003, Hudson 2010, Boxx, 2012). Behind this approach is the rise of Markowitz's modern portfolio theory rather than the prudent man approach. According to The Prudent Man Rule⁴³, a prudent investor (asset manager) should behave as if he were managing his own affairs to secure income and preserve capital value (Langbein, 1995). With the development and spread of efficient capital market theories (Miller & Modigliani, 1961) and modern portfolio theory (Markowitz, 1959, 1991), the prudent man approach has evolved into the prudent investor approach. The prudent investor's view of the portfolio of assets is driven by the goals of the trustee and the trust, where the value of the overall (total) portfolio of assets under management (trust) is important rather than the value of individual assets individually. As part of an overall investment strategy with risk and return objectives that are reasonably aligned with the overall trust objectives. Under this regime, the trustee can take more risk than previously allowed because the risks are necessary to preserve value, and the risk associated with a high risk investment (asset) can be reduced through diversification. The asset manager is expected to follow modern portfolio theory and invest with an eye to the overall return of the assets (portfolio) under management. The trustee must take some risk in order to maintain the value of the trust, keep pace with inflation and market developments, but must act prudently, taking into account the circumstances of the beneficiaries (UPIA 1994, UTC 2000, 2003).

It follows from the above that in the case of trusts, the trustee should manage the portfolio of assets under management in accordance with the following principles, the *Trust Principles* (UTC 2000, 2003).

- *The prudent investor principle.*⁴⁴ The trustee is obliged to act as a prudent investor in the trust and towards the beneficiaries (Civil Code, Act.6:317 § (1)-(2)). The principle of the prudent investor and the regulation of trusts in general are dispositive regulations, because the provision relating to it can be extended, limited or changed in the trust agreement. The trustee is not responsible to the beneficiary but for the prudent management of the assets.

⁴³ The 'prudent man' approach is based on a Massachusetts common law case in which the court ruled that the prudent investor must act as if he were managing his own affairs in order to secure income and preserve capital value (Langbein, 1995).

⁴⁴ The prudent investor principle is an objectified rule because it is developed in case law and is essentially a relative or comparative rule. It is similar to the tort (liability) that a person in a given situation would normally be expected to incur and, on that basis, to the tort of vicarious liability.

- *Expectation of care.* The standard of care required of a trustee means that the trustee should invest and manage assets as a prudent investor, taking into account the purposes, terms, distribution (allocation) requirements and other circumstances of the trust.
- *Portfolio type asset management.* The trustee should assess its investment and management decisions for individual asset items not in isolation but in the context of the portfolio under management as a whole. Asset management should be part of an overall investment strategy with risk and return objectives that are reasonably aligned with the objectives of the trust. Asset management should follow a portfolio approach, where the risk-taking investment of an individual asset can become part of a risk-averse or prudent investment strategy at the level of the overall portfolio, because the investment of each asset is made in conjunction with or in connection with other assets (UTC 2000, 2003).
- *Consideration of risk and return targets.* Returns are correlated with risk, but risk tolerance in the case of trusts is highly dependent on the objectives of the trust and the circumstances of the beneficiaries. A trustee whose main purpose is to support a successor with modest funds has a lower risk tolerance than a trustee with large assets accumulated for successors (Langbein, 1995.b, UPIA, 1994, Boxx, 2012).
- *Prudent investor behaviour.* This includes the appropriate duty of care, expertise and prudence. It should not be applied to sole investments, but in the context of the overall portfolio of assets under management and as part of an overall investment strategy, which should include the risk-taking and expected return objectives of the trust (UTC 2000, 2003).
- *Consideration of circumstances.* The trustee must take into account the investor environment when investing in and managing assets. Such factors as (1) general economic conditions; (2) the potential impact of inflation or deflation; (3) the expected tax consequences of investment decisions or strategies; (4) the impact of each investment or decision on the overall portfolio of assets under management; (5) the expected return and expected value of the principal (investment); (6) other resources of the beneficiaries; (7) liquidity needs, the regularity of income, and the preservation or valuation of invested capital; (8) the personal relationship or special value of particular items of property to particular beneficiaries; (9) any other circumstances, including tax consequences, that may affect the value, profitability, and liquidity of the portfolio of assets under management in the short and long term (UPIA, 1994).
- *Obligation to control.* Trusteeship includes the duty to monitor the trustee's ongoing responsibility for overseeing the suitability of investments already made and the trustee's decisions on new investments.
- *Duty to verify.* The trustee is obliged (within reason) to verify (within the limits of reasonableness) the facts relevant to the (ongoing) management of the assets (audit report, property register, risks, etc.) before investing.
- *Unlimited investment principle.* The Trustee's investment is not limited by type of asset, but only by the overall return on the portfolio's total return. Due to the innovation of money and capital markets, changing capital market instruments (e.g. derivative instruments and equity constructs), investment expectations (e.g. SDG, ESG), transaction structures and commitments (tag-along, drag-along), the trustee should be given a high degree of freedom in the choice of investments to meet the beneficiary's return expectations, preservation and growth of capital value (UTC 2000, 2003).
- *The principle (obligation) of professional asset management.* There is a distinction between non-business types and business asset management. Prudence is relative, which is strongly

influenced by the nature of the trust (non-business and business). Prudence is different in the case of a non-business trust involving family members and a business trust in the form of a family office involving persons other than family members. The principles of professional and business-type trusteeship imply the existence of appropriate expertise, experience and ability to manage assets, while the principle of non-business (amateur-type) trusteeship requires at least a need for prudent behaviour. The trustee is required to exercise the care and skill in the management of his assets that an investor would exercise in his own investment and that would normally be expected of him in normal circumstances (UTC 2000, 2003).

- *The principle of diversification.* The trustee must pursue prudent asset management and diversify the portfolio of assets under management in order to manage risks. Unless the interests of fiduciary management require a different (homogeneous) investment structure. Such a situation *limiting* the principle of diversification could be, for example, a transgenerational transfer of assets in the case of succession to a family business, where the trust is specifically designed to keep and hold that business together. Another limiting situation may be the desire to maintain low taxation.
- *The duty of loyalty* is a rule of trust structure (regulation) that requires the trustee to act solely in the interests of the beneficiaries, rather than in his own or third parties' interests.
- *The requirement of reasonableness* requires the trustee to review the assets under management within a reasonable time after receipt of the assets and to make and implement decisions regarding the retention and disposition of the assets to ensure that the portfolio of assets under management meets the purposes, conditions, distribution and other requirements (UPIA, 1994, Section 4.). Adherence to this principle requires the trustee to dispose of inadequate assets within a reasonable time.
- *Duty of impartiality.* Where a trust has two or more beneficiaries, the trustee must act impartially in the administration of the trust property and take into account the different interests of the beneficiaries. The duty of impartiality derives from the duty of loyalty. If the trustee owes obligations to more than one beneficiary, loyalty requires the trustee to respect the interests of all beneficiaries. Prudent investor conduct requires the trustee to have regard to the interests of all beneficiaries on whose behalf it is acting or to whom it is making a benefit. It is particularly important to enforce impartiality when the set of beneficiaries has conflicting interests (UTC 2000, 2003).

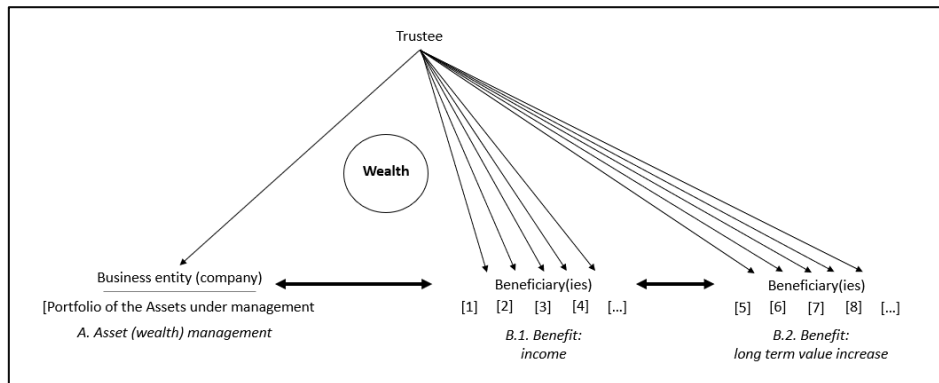
The ordinary prudent person turns into a prudent investor when managing wealth (UPIA, 1994, Langbein, 1995.b, Halbach, 2000, UTC, 2000, 2003, Hudson, 2010, Boxx, 2012). The prudent person manages wealth with the care that he would normally exercise with his own wealth in order to preserve it in the long run. The prudent investor rule expands the conceptual definition. The trustee must base his decisions on the purposes and circumstances of the assets and the beneficiaries. The trustee should only assume the general level of risk that is acceptable to the wealth, trust and its beneficiaries. The trustee has a general obligation to diversify investments to share and minimise risk.

2.3.7. The dual fiduciary responsibility

The trustee's position gives rise to a two-way liability. On the one hand, it is responsible for the management of the assets. If the assets under management are part of a company, it is responsible for the management of the company, for the maintenance of the company's continued operation, its investment policy, its growth, innovation and sustainability. On the

other hand, it is also responsible for the provision of benefits to beneficiaries. The two positions of responsibility of the fiduciary may be in conflict, creating tension between the interest of the beneficiaries (benefits) and the long-term growth of the company (increase in the value of the assets) (See Figure 22).

Figure 22: Dual liability regime for trusts



Source: own editing

The *role* of a trustee is really *twofold*. It has to balance the interests of the beneficiaries and the business entity (the assets under management) (Boxx, 2012). Impartiality is the fiduciary duty, which in part balances the interests of the beneficiaries interested in receiving income payments from the assets under management with the interests of the beneficiaries interested in the long-term growth in the value of the assets under management (growth in asset value)⁴⁵, and the corporate interest.

However, Boxx (2012) argues that the enforcement of the fiduciary *duty of impartiality* is only a partial solution. The beneficiary may not be financially dependent on the benefits and may be more committed to long-term business growth because he or she is young. For some beneficiaries, this would result in a prioritisation of business interests over beneficiary benefits. An important consideration is therefore the extent of the beneficiary's interest relative to the other business owners, because the other owners are essentially third party beneficiaries of the company as a whole. Boxx (2012) argues that the duty of impartiality alone is not sufficient, but that the duty of care and the duty of loyalty should be applied *together*. By entrusting the trustee with the management of an undertaking in the trust deed, the trustee expressly (*expressis verbis*) declares that the duty of care to the trustee in respect of the portfolio of assets under management is less important to him than the duty of care to the undertaking under management. It subordinates the *responsibility for the conduct of the business of the managed* entity to the duty of care for the risk management of the portfolio. And the fact that the operation of the business requires a certain degree of business risk-taking and that the trustee's objective is to maintain the business operated as part of the assets under management in the long term, means that the trustee is *relieved* of the requirement to diversify risk-taking and of the duty of care in this respect (as long as, of course, the trustee acts in good faith). The interpretation of the duty of loyalty of a dual role trustee in a corporate trust is also problematic. Langbein (2004)

⁴⁵ Let's look at an example of impartiality! The beneficiary is an elderly person and the assets under management (the trust) are the beneficiary's primary source of income. It might then seem that the trustee, who is also the manager of the business (business), should avoid taking risks. He or she should avoid expanding the business or developing new product lines, which are long-term investments and a financial burden on the business in the present and unlikely to be recouped in the lifetime of the beneficiary. Another beneficiary who has an interest in the same assets under management is not a primary source of income for the beneficiary benefit and is interested in the long-term growth of the company. The differing interests of the two individuals lead to conflict.

therefore proposes a new formulation of the fiduciary's duty of loyalty. Accordingly, the trustee should act in *the best interests of* the beneficiary rather than in his or her exclusive interests.

The trustee has to balance the interests of the entity (the company/assets under management) with the interests of the trust beneficiaries (Langbein, 2004, Boxx, 2012).

- (1) On the one hand, the trustee must act *impartially* between the different beneficiary interests. This includes the distribution between current beneficiaries and future (potential) beneficiaries (expectant beneficiaries), the distribution between income, payments and capital. The allocation of the income generated by the assets (the enterprise) between income payments and corporate reinvestment (dividend payments versus capital investment and reinvestment).
- (2) On the other hand, the trustee must act *fairly*, based on *his* or her *assessment of the* particular situation, in accordance with the trust principles/objectives set out in the trust objectives. The duty of fairness does not mean that the trustee must treat the beneficiaries equally. The trustee must treat beneficiaries fairly in accordance with the purposes and terms of the trust. If the settlor of the trust has a different intention and wishes to favour the interests of one beneficiary over those of the other beneficiaries, he must give clear instructions to that effect when setting out the terms of the trust (in the trust deed) (UTC 2000, 2003).

2.3.8. The double agency cost

The type and level of actual agency costs depends on a number of factors, but primarily on the characteristics of the family business. The triple relationship (settlor/trustee/beneficiary) and the separation of family and business/property give rise to a *vertical* (settlor/beneficiary/trustee/manager) and a *horizontal* dual agency relationship (settlor/trustee and beneficiary/trustee).

A dual agency level is created and a principle-agent cost is incurred when the settlor *will no longer be able to* directly supervise the operations of the trustee. When the trust is established, the trustee appoints a trustee whom it trusts. However, the trustee's loyalty (loyalty to the settlor/trustor) will decrease and both the vertical dual agency costs (trustee-corporate managers) and the trustee/beneficiary and trustee agency costs will increase once the trustee will no longer or will not be able to directly supervise the trustee's activities. Examples of such a case could be the incapacity (illness) of the settlor or the death of the settlor. The trustee has a special status of supervision or control because the trust deed is a bilateral transaction (contract) between the parties, which the trustee can revoke or change at any time during his lifetime, while still fully competent. He can change the operation of the trust at any time at his discretion. After the departure of the dominant (patriarchal/matriarchal) settlor in the family, competition for the assets between family members will be triggered, but the trust arrangement will limit the beneficiaries' access to the assets. The trustee's position as an agent becomes even stronger, because he becomes the sole (sole) custodian of the property and (because of death) is also freed from the direct supervision of the settlor. The (trust) trustee starts to live a fully independent life. The trustee's trust ceases to exist and is replaced by the operational and governance mechanisms arising from the trust deed. These processes and decisions, however, are subject to limited (exceptional) control and accountability by the beneficiaries (challenge in court). Beneficiaries may become vulnerable and may have a different trust in the trustee than the settlor.

Principle-agent costs may be incurred because the beneficiary's *ownership is limited* and he or she cannot exercise ownership rights. Beneficiary risks can be mitigated by the following factors, which can also increase confidence.

(1) The fact that the trust has expired (expiration date). After the expiry of the period of time specified in the trust deed, the effective exercise of the right of ownership is opened to the beneficiaries (reversion). (2) If the trust is administered by an organisation (legal person) and not by a natural person, the systematic operation of the organisation may be a guarantee that the trust is operated in accordance with the intention of the settlor. Expectations of the trustee may be set out in the constitutional documents. (3) The material and formal conditions imposed on the person who is to act as trustee may also constitute a guarantee. (4) Finally, the voidability of the contract or the liability of the trustee may also constitute a guarantee.

Dual agency costs and principle-agent costs are also high when the trustee is managed through *an opaque* entity with a separate legal structure and different ownership structure (holding, foundation, trust, limited liability company, etc.). According to Zellweger & Kammerlander (2015), these entities are horizontally and vertically interconnected in a *cross-firm network* that results in different degrees of separation of family and wealth. At the same time, it also risks the emergence of self-actualization at some points in the firm network that is completely independent of the family. At the end of the network is the founding trustee, whose aim is to control the group (its assets) and make it difficult to disrupt from within. With the emergence of beneficiaries, they will no longer be able to keep track of the distribution of assets due to the complexity of the network. According to Zellweger & Kammerlander (2015), wealth management combined with an opaque asset/firm network structure can therefore lead to particularly high dual agency and principal-agent costs.

According to Sitkoff (2003), the legal regime (the law) should minimise the agency costs arising from (1) the transfer of the right to control (the right to dispose) to a trustee and (2) the transfer of certain claims (the obligation to dispose) to a beneficiary. However, the arrangements for minimising these agency costs must be in accordance with the prior (*ex ante*) dispositive intentions and instructions of the settlor. Consequently, the use of trusts *triggers* the agency problem *periodically*. In addition to the usual agency problem - the separation of risk bearing and control (management), whether the trustee/manager acts in the best interests of the beneficiaries - the trustee's fidelity (adherence) to the settlor's original dispositions.

2.3.9. Summary

In fiduciary asset management (trusts), there is a conflict between paying out benefits to beneficiaries (earning income), preserving the value of the assets and seeking to increase the value of the assets (similar to the conflict between paying dividends and reinvesting the profits in a company). The trustee may find himself in a dual and conflicting fiduciary liability position if a significant part of the assets or assets under management are business entities. The position of liability for the business of the enterprise and the position of conflict of liability towards the beneficiaries due to the duty of care and loyalty (increased duty towards the trustee) (Civil Code § 6:317). The conflict can be resolved by the trustee's duty of impartiality and discretion to judge the circumstances of the particular situation fairly. If the trustee provides in the trust deed for the transgenerational wealth transfer (succession) of a (family) business, the provision: (1) it expresses the trustee's primary responsibility for the business of the trusted company, as opposed to its duty of care; (2) it limits diversified portfolio management (and risk management) based on modern portfolio theory, while maintaining additional duties to the

"prudent investor" if the trust is expressly intended to hold and retain the business intact (a transgenerational wealth transfer).

A conservative approach to fiduciary responsibility - i.e. that the fiduciary can only seek to preserve the assets entrusted to him - would be disastrous in the case of the fiduciary asset management of a business entity (company). Here too, the principles of asset management should shift towards the application of modern portfolio management rules and theories. The aim should be to preserve the overall (and not the individual) value of the entire portfolio of assets (which may consist of several assets, including several businesses) and to increase its value. If the purpose of the trust is a transgenerational wealth transfer and the object of the trust is a business (business enterprise/ corporate), the trustee of the assets must constantly *balance* the business interest of the entity (company) against the interest of the beneficiary. He must be aware of this dual responsibility, which implies an implicit renunciation of the pure duty of care and duty of loyalty. The principle of care is replaced by the principle of *rational business judgement*, while the principle of loyalty is replaced by the approach that *the beneficiary's interests are not harmed by his decisions* (UPIA, 1994, UTC, 2000, 2003, Langbein, 2004, Boxx, 2012).

2.3.10. Alternative forms of asset management

Asset management can be functionally implemented through several equivalent legal instruments. In Hungary, such legal institutions are the business company (Civil Code, Art. 3:88 and 89), the foundation (Civil Code, Art. 3:378 and 387), the trust foundation (Act XIII of 2019, Act No. 2019, VPA) as legal entities and the fiduciary asset management (trust) (Civil Code, Art. 6:310 and 330) as a contractual legal relationship. The institutional form that best suits the purpose of trusts depends on the intent and purpose of the person in the position of trustee, the socio-economic and business-operational environment, the legal and tax environment, and the transaction costs (Hajdu, 2022). The choice is determined by the limits of applicability of each form as defined by law (objective conditions) and the different levels of transaction costs associated with the operation of each form (economic conditions).

The main difference between a trust and a foundation transfer is that while a trust can be understood as a tripartite contract between the settlor, the trustee and the beneficiary, until then, with the transfer to the foundation, the ownership is transferred to the foundation (Langbein, 1997, Sitkoff, 2003, Zellweger & Kammerlander, 2015). A transfer to a foundation is a definitive transfer of assets, whereas in the case of a fiduciary asset management (trust), the assets are only transferred to the trustee for a limited period of time, subject to the trustee's obligation to return them.

2.4. Transgenerational wealth transfer

Transgenerational wealth transfer is an institution related to succession, the intergenerational transfer of family wealth (estates) in the process of succession. Its essence is the strategy of intergenerational wealth preservation and wealth creation. In his definition, Zellweger (2017) draws on Chua et al.'s (1999) definition of family business, who emphasise the transgenerational nature of the family business, in addition to the ownership of management and control rights. In their interpretation, transgenerational perspectives are those related to long-term value creation and are a critical criterion for distinguishing it from non-family businesses.

Transgenerational wealth transfer is part of the succession of the family business, a critical success factor. Succession can be understood in a dynamic model (Habbershon & Pistrui, 2002). It is not a one-off act but a succession of conscious or instinctive steps. A *process* where decisions are guided by material and rational motivations, as well as by non-rational variables, emotional forces and family traditions. The transgenerational wealth transfer decision is particularly complex because it is influenced by multiple variables (Kotlar & De Massis, 2013, Wiklund et al., 2013, Blumentritt, 2016, Carr et al., 2016, Parker, 2016). Its complexity is determined on the one hand by the fact that succession is a centric process and is influenced by variables from multiple directions - transferor, transferee, family, etc. On the other hand, the objective characteristics of the wealth and the family business (size, activity, industry specificities, etc.) are important (Chandler, 2015) and determine the feasible alternatives (Zellweger, 2017).

Transgenerational wealth in Habbershon & Pistrui's (2002) definition is the flow of wealth across generations characterized by providing the family with at least market-based returns over generations. This is subject to the following two conditions. (1) Transgenerational wealth is only meaningful for families and family businesses where the purpose of the activity is wealth creation, growth and performance. Distinguished from other family aspirations (tax purposes, maintenance of lifestyle and way of life, social-social mission, etc.) (2) It is not the individual asset (property) or the particular business that is relevant, but the family as the owner of the asset. It is not the classification and composition of the assets at a given point in time that is important, but *the income-generating capacity, the ability to generate wealth*. Transgenerational wealth is not concentrated in a single enterprise for the entrepreneurial family. The role of the next generation is not to preserve and grow the original business, but to preserve and enhance the value of the transgenerational wealth by continuously exploring and adopting new business opportunities and portfolio elements.

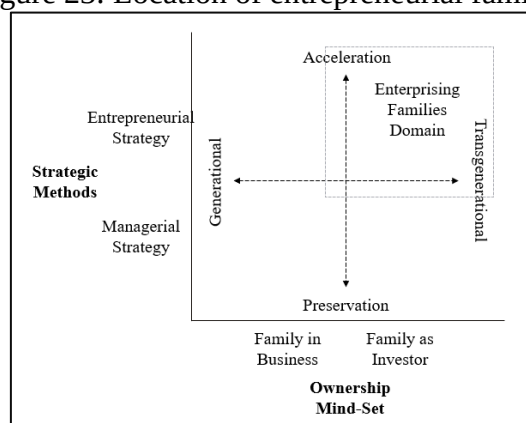
Habbershon & Pistrui (2002) consider the *family ownership group*, rather than the business, as the family business unit for the purpose of transgenerational wealth transfer (Habbershon & Pistrui, 2002, p. 228). Their definition is based on the definition of the family business by Chau et al., (1999), according to which the family unit is the dominant coalition of family members who determine the strategic focus of the family's common economic interests. A family is a group of individuals of common descent who are bound together over time by a legal governance structure. In relation to wealth, Habbershon & Pistrui (2002) distinguish between wealth creation and wealth accumulation. Wealth creation is defined as the rational allocation of existing wealth (assets) in the pursuit of maximum return, the divestment of some assets and the acquisition of new ones, and the ability to acquire them. *Family wealth creation* is defined as involving diversification beyond the traditional family-business relationship. This wealth creation activity is unified and driven by the family coalition vision defined by Chua et al. (1999). *Wealth accumulation* is the generation of increasing, sustainable sources of income as a return on capital invested by the family ownership group of the firm that leads to wealth growth.

The *implicit condition* for transgenerational wealth is, according to Habbershon & Pistrui (2002), that the family ownership group has or develops an *entrepreneurial orientation*. The market environment is constantly changing, assets depreciate over time, and therefore continuous innovation and improvement should be a basic condition. They argue that there are two barriers to entrepreneurship. Families where tradition and heritage are important and have been a source of wealth in the past, are at odds with new, wealth-creating, proactive entrepreneurial behaviour. On the other hand, in the life-cycle transition (Gersick et al., 1997)

and parallel planning (Carlock, & Ward, 2001) models, the family ownership stages - founder and owner-manager, sibling community, cousin consortium and family syndicate - formations, de facto, determine the governance structures of the firm. This can be at odds with the entrepreneurial-strategic approach. The entrepreneurial family is not the family doing business or the business per se. It is a specific type of family that has an entrepreneurial spirit and attitude, i.e. it is entrepreneurial. It is a *mindset and method* that leads to a proactive and continuous search for opportunistic growth. Using an ownership mindset and strategic methods to compel the family to seek profitable opportunities.

According to Habbershon & Pistrui (2002), when the family ownership group acts as an investor, it is capable of generating transgenerational wealth and intergenerational family wealth creation. The family-influenced ownership *model* reflects the family owner's risk-taking and return expectations, and the family's operational relationship with wealth. The ownership approach and the strategic method used are the frameworks that define the attributes of the family business and the characteristics of asset management and succession. The *entrepreneurial family* is defined as a domain. (See Figure 23!) The entrepreneurial family is characterised by the application of an *investor mindset* and *entrepreneurial strategic methods*, and its output is the intergenerational growth of transgenerational wealth.

Figure 23: Location of entrepreneurial families



Source: based on Habbershon, & Pistrui (2002) own ed.

Family ownership groups that seek to create transgenerational wealth must have an investor attitude, as opposed to traditional business-minded families. (See Figure 24!)

Figure 24: Business (entity) and investor-oriented entrepreneurial families

	"Family in business" approach	"Family as an investor" approach
Level of ownership approach (function)	It applies in operative business decision-making	In the culture and behavior of the family member ownership group
Succession approach / Orientation	"Generational" orientation	Transgenerational approach
Goal	Perpetuation of the family bond and/or multigenerational participation	Establish transgenerational wealth (wealth over generations)
Concept of property	The "asset is mine". The personal nature of the asset	Wealth "produces for the shareholder". Performance perspective
Strategy	"Linear" Think in terms of a given business entity	A capital allocation strategy that aims to maximize wealth growth
Capital expenditure/ investment return expectation strategy	Determined capital investment: based on family traditions	Risk / return based performance

Source: based on Habbershon, & Pistrui (2002) own ed.

According to Habbershon and Pistrui (2002), family ownership groups with family as investor characteristics perform better in the long run and are able to sustain wealth creation (transgenerational wealth) across generations. When the family ownership group (the dominant coalition) pursues an entrepreneurial strategy, it performs better in the long run, thus ensuring intergenerational family wealth creation, transgenerational wealth. Entrepreneurial family behaviour contributes to the growth of transgenerational wealth.

2.4.1. Characteristics of transgenerational assets

According to Habbershon & Pistrui (2002), the aim of transgenerational wealth is to provide at least market-based returns over generations. They argue that the classification of assets at a given point in time is irrelevant, because what matters is the income-generating capacity of the assets. They emphasise the primacy of the income generating capacity (wealth generating potential) of transgenerational assets. However, wealth is a set of asset items. The profitability of each asset determines the aggregate return on the total wealth (asset portfolio). The income generating capacity of the components is determined by their characteristics. The characteristics of the asset components have an impact on the return on the transgenerational assets.

Research generally treats the family firm as a monolithic entity, where family owners have the same interests, and this distinguishes it from non-family owners (Steier et al., 2015, Chandler, 2015, Schulze et al, 2001, Morck, & Yeung, 2003, Carney, 2005, Villalonga & Amit, 2006, Zellweger, & Kammerlander, 2015). This approach ignores the diversity and heterogeneity of firms and members of the ownership set. In many cases, families have an interest in more than one business (Steier et al., 2015), and the involvement and nature of family members' participation can vary greatly over time and across families (Michael-Tsabari et al., 2014, Gersick et al., 1997). As some authors (Steier et al, 2015, Chandler, 2015, Zellweger & Kammerlander, 2015) point out in their research, family businesses are managed by family members with heterogeneous characteristics, who in turn manage an asset base that in most cases is much more than a monolithic business. They often employ agents or intermediaries to manage them. The concept of a family business with a homogeneous family and ownership structure and monolithic business characteristics should be replaced by the *concept of a family business with a heterogeneous ownership structure and complex assets*.

2.4.1.1. The entrepreneurial family

The family business literature has long implicitly assumed that the family has a single business. However, as businesses develop and as a result of their accumulated performance, they may invest in other industries, or the surplus money/capital may represent other investments for the family outside the business. The theory of implicit monolithic structure of family businesses has been replaced by *the theory of explicit heterogeneity of family businesses* in terms of ownership structure, business activity and the complexity of assets held by the family (Michael-Tsabari et al., 2014, Steier et al., 2015, Zellweger & Kammerlander, 2015, Habbershon & Pistrui, 2002). For families that have reached this stage of development - heterogeneity in ownership structure, business activity and asset portfolio - the family business approach has been replaced by *the concept of the entrepreneurial family*.

Figure 25: Distinction between family businesses and the entrepreneurial family

Dimension	Family Business	Entrepreneurial Family
Characteristic of the family's business	The family has a business and the goal is to pass it on to the next generation (transfer of the same business)	The family has one or more business activities, which do not necessarily remain the same over time (the composition may change)
Characteristics of growth and expansion	The family's goal is for the business to grow and expand (organic growth of a given business)	All business activities must support the benefits (interest) of the family, otherwise it will be divested. The family is looking for new business opportunities. (corporate / business portfolio)
Family wealth	The family's wealth is typically the family business (concentrated family wealth)	The family's wealth is supplemented by assets/investments beyond the business enterprise (real estate, financial assets, etc.) (diversified investments)
Operational structure	One business structure (one business entity) which organization typically based on functions (functional pyramid structure)	Several businesses and investments in a multifunctional organizational structure (holding company / family office) (matrix organization)
Striving for transgenerational sustainability	The goal of the next generation is to take over the business and continue it's activity (continuity, continuation of the business)	The goal of the next generation is portfolio optimization and value creation: growth and income generation (continuity, continuation of the activity)
Nature of Succession	The success of the succession depends on the next generation's ability to take over ownership, management and leadership (receiving capacity)	The success of the succession depends on the future generation's commitment to preserving the family values, innovation and investment ability (adaptability)

Source: based on Steier, Chrisman, & Chua (2015) own ed.

In a classic family business, the family stays in the same business. In the case of the entrepreneurial family, the family leaves the classic family business. It enters into businesses where the family's direct involvement will no longer be a feature, or where it will not provide the family with an additional advantage over any other passive type of investment. In the entrepreneurial family formation, the direct involvement of the family is weakened or eliminated, and passive forms of management and ownership are strengthened. The wealth, succession preferences, operational and governance structures of the classic family business and the entrepreneurial family are different. The main features of this divergence are defined by Steier et al. (2015) as follows (see Figure 25)

- For the entrepreneurial family, *wealth* is not concentrated in a single business. The role of the next generation is to preserve and enhance the value of the wealth by continuously exploring and adopting new business opportunities and portfolio elements. This also reduces the monolithic risk exposure of the individual family business due to the risk-mitigating effect of the business portfolio (Steier et al., 2015).
- In the case of succession to a family business, *the focus of succession is on* business transfer, continuation and preservation. For the entrepreneurial family, the focus of succession is on preserving and developing the family's values, entrepreneurial spirit and capacity for innovation, rather than preserving a particular business. As the family business shifts towards the entrepreneurial family, its value system changes. The focus of succession shifts towards the preservation of family values, rather than being

characterised by a primary focus on maintaining and preserving a particular business (Steier et al., 2015).

- In the case of a family business, the *operational and governance structure* is designed to ensure the growth and profitability of the business, while in the case of an entrepreneurial family, the structure is designed to encourage and develop the entrepreneurial activity and activity of the family members. This is often done through the establishment of a separate asset and wealth management department - M&A department, family office and other formations (Habbershon & Pistrui, 2002).

The entrepreneurial family grows not only through innovation and development of its original business - not only through organic development - but also by entering complementary or non-complementary markets in other activities. The enterprise may be organised *in a group structure*, with a holding company at the centre and subsidiaries or business units under or around it, depending on the tax system of the country (Habbershon & Pistrui, 2002, Morck & Yeung, 2003).

2.4.1.2. Diversification

Social and industrial diversity. According to Morck, & Steier (2005), family firms have very different characteristics in almost all capitalist economies. The different evolutionary trajectories can be attributed to different socio-social and legal institutional developments, the macroeconomic environment and their different adaptive capacities (Morck & Steier, 2005). The importance of family firms has persisted in the period of developed societies and some researchers (Anderson & Reeb, 2003, Durand & Vargas, 2003) have even demonstrated in their quantitative research that they can outperform non-family firms. Le Breton-Miller & Miller (2015) discuss the role of industry in explaining the performance of family firms and find that family firms perform well in industries with high expectations of quality, value and demand because their long-term orientation makes them better suited to accumulate knowledge, build relationships based on trust and reputation. Such are the creative industries.

Diverging visions. According to Chua et al, (1999), the complexity and continuous change in ownership and management of firms, and the heterogeneity in the size and activities of firms, make family firms characterised by intention, vision and intergenerational sustainability. A family business is defined as "a business that is managed and/or run with the intention that the vision of the business is shaped and implemented by a dominant coalition of members of the same family or a small number of family members in such a way that it becomes sustainable across generations of the family or families" (Chua et al., 1999, p. 25). The different perceptions of family heritage (Hammond et al, 2016), the differences in the communal and individualistic thinking of family members (Sharma & Manikutty, 2005), their different dynastic identities (Parker, 2016, Carr et al., 2016), the extent of family involvement and the number of potential heirs (Wiklund et al, 2013), diversity of goals, differences in the psychological capital of family firms (Kotlar & De Massis, 2013, Memili et al., 2013), and different motivations, abilities and skills of family members (Blumentritt, 2016, Parker, 2016) induce different visions of the future.

Diversification of assets. According to Chandler (2015), Zellweger & Kammerlander (2015), the size and diversity of the assets (the asset base) influences the choice of control structures. According to Chandler (2015), in addition to the monetary value of the asset base, the measurement and operationalisation of wealth should take into account the number of business units controlled by the family, the other wealth elements managed by the family, and the

diversification of wealth. The composition of asset items varies significantly across entrepreneurial families, socio-economic and economic systems (Steier et al., 2015, Chandler, 2015, Carr et al., 2016).

Multiple interests. According to Morck & Yeung (2003), if the business is owned by several families or several family members, there is no necessary identity of business interests and commonality of interests among the members. *Divergent interests* can lead to conflicts between family members, family and non-family (minority) owners. Multiple interests may arise within a family, between several families or between family(ies) and outside owners. These different positions can generate different and conflicting (divergent) interests (Morck & Yeung, 2003). The problem is even more complex from an organizational theory perspective when family member managers come from different families. Models that focus on the separation of ownership and control (Fama & Jensen, 1983a, Fama & Jensen, 1983b, Steier, 2009) put the firm first. They do not take into account the different interests and their variations that arise from different ownership positions. They ignore factors related to the entrepreneurial family's behaviour, or when in the case of multiple ownership, the identity of the stakeholders is diversified rather than monolithic (Steier et al., 2015). Pieper et al., (2015) in their research have shown that the persistence of multifamily firms is largely due to the simple and clear rules of governance. Leadership is organised on the basis of complementary skills and competencies, with decision making within the firm based on the *complementary skills* and competencies of individuals. Multifamily firms that persist are also characterised by mutual monitoring based on open communication and transparent decisions. Pieper et al. found that governance rules and decision-making processes are laid down by founders early in the development process. Firms that applied complex rules became over-reliant on outsiders and vulnerable.

Dispersion of targets. In the family business goal system, not only financial performance, but also the fulfilment of social-emotional values is important. Many family firms measure performance in different ways, with social-emotional values and motives influencing their decisions in addition to financial returns (Gómez-Mejía et al., 2007, Berrone et al., 2012). Corporate and family goals therefore each have a different set of objectives. They are determined by the family's values, internal norms, perception of heritage and vision of the future. On the other hand, they may be determined by the system of financial performance expectations assigned to the enterprise and by the goals that arise from the family's social-emotional system due to the familiness in the enterprise.

2.4.1.3. SEW and tacit knowledge

Socio-emotional wealth (SEW) is the special intangible wealth accumulated by family businesses. A distinctive feature of family businesses is that they also favour a wide range of non-economic utility. Gómez-Mejía et al., (2007) collectively classify these non-economic utilities as SEW (Shen, 2018). The theory suggests that family firms are typically committed and motivated to SEW, which is the non-financial and affective (emotional) commitment of family owners. It is the emotional commitment and the attitudes, values and goals that can be derived from it that distinguish it from non-family firms. The social-emotional richness of family firms takes many forms, including a sense of belonging, the perpetuation of family values in the business, close identification with the firm bearing the family name (Berrone et al, In their model based on prospect theory (Kahneman, & Tversky, 2013) and behavioral theory (Cyert, & March, 1963), Gómez-Mejía et al. (2007) argue that family firms perceive giving up their social-emotional wealth as a loss. Therefore, they are willing to accept threats to the firm's financial position, such as higher liquidity risks or financial underperformance, in order to

prevent losses of their social-emotional wealth. They are willing to risk or sacrifice company performance to preserve SEW. They are more likely to accept underperformance, organizational failures, or underperformance relative to non-family firms, market competitors. At the same time, these firms tend to have lower dispersion in firm performance and a smaller gap between their realized and target performance than non-family firms (Gómez-Mejía et al., 2007).

Gómez-Mejía et al. (2007) also defined the SEW model as an extension of behavioural agency theory (BAM) (Berrone et al., 2002). Behavioural agency theory (BAM) is built on the basis of prospect theory (Kahneman & Tversky, 2013), behavioural theory (Cyert & March, 1963, Gavetti et al., 2012) and the agency theory (Jensen & Meckling, 1976). Behavioral agent theory (BAM) is based on the premise that firms will choose according to *the reference point of the firm's dominant principal*, and the principal will choose to preserve the endowments accumulated in the firm (Berrone et al., 2012). For family principals, the focus is on SEW preservation, and therefore how actions affect social-emotional endowments will be investigated. If this social-emotional endowment is compromised, the family will not make decisions based on economic logic. The family will even be willing to put the firm at risk to preserve these social-emotional endowments (Berrone et al., 2012). Social-emotional capital is key for the principal and any threat to the SEW will trigger the family to go into loss mode. They will make strategic decisions that avoid potential losses for the SEW, even if this may be at the expense of other principals (e.g. institutional investors) in the case of mixed ownership (Berrone et al., 2012). For family principals, risk aversion related to social-emotional assets takes precedence over risk aversion related to financial losses. In contrast, in a pure agency relationship, family heads would avoid strategic decisions that would entail significant financial losses because the family's legacy is tied to the firm, and therefore behavioral agency theory (BAM) defies the logic of agency theory: if SEW preservation is the family heads' primary reference point and strategic decisions that reduce the firm's financial risk threaten SEW, the family will choose the alternative of SEW preservation (Berrone et al., 2012).

Tacit knowledge in family businesses is the intangible asset of know-how derived from the experience and accumulated knowledge of the company and linked to a natural person. According to Sirmon & Hitt (2003), it has a dual dimension. It includes both the accumulated knowledge over time linked to the person of the previous generation and the firm-specific knowledge developed through the involvement of a family member (the next generation) in the firm. According to Chirico & Salvato (2008), knowledge integration determines the ability of the family firm and its evolution. In fact, knowledge integration is a dynamic capability through which the specific knowledge of family members is combined. Family firms that are able to effectively integrate the specific knowledge of each family member become successful in dynamic markets by changing their capabilities over time.

2.4.2. International comparison

The "family business survival rate" - the rate of survival of a viable business to the next generation - decreases with transgenerational transfers of wealth (successions) (Beckhard, & Dyer Jr, 1983; Handler, 1994; Ward, 1997, 2004; Le Breton-Miller et al., 2004; Stamm, & Lubinski, 2011; Wilson et al., 2013). Researchers provide widely divergent estimates of the survival rate and its trend (see Figure 26).

Figure 26: Survival rate of family businesses by region

Family business survival rate	2nd generation	3rd generation	Average lifetime
USA			
Ward (1997)	2/3	13%	n.a.
Le Breton–Miller, Miller, & Steier (2004)	1/3	10-15%	n.a.
Handler (1994)	30%	10%	24 év
Beckhard, & Dyer, Jr. (1983)	3/10	n.a.	(*) 10 / 24 year
UK			
Wilson, Wright, & Scholes (2013)	lower "Z score" value (**)		
Germany			
Stamm, & Lubinski (2011)	n.a.	n.a.	(***) over 60 / 100 year of
(*) According to their estimate, approximately 14.4 million of the 15 million business entities in the United States are family-owned, and family businesses account for the majority of jobs and about 40 percent of the gross national product. A significant number of family businesses cease to exist after ten years (**) They examined the United Kingdom (UK) dataset from 2007 to 2010 for more than 700,000 family and non-family businesses. In their study, they looked for a relationship between the composition of the board of directors and the survival rate of the company. They found that family firms are significantly less likely to go bankrupt or be liquidated than non-family firms. (***) They examined the geographical regions of Germany with representative sampling and draws attention to regional differences and historical differences. According to their claim, a significant number of businesses are multi-generational, and there is also a significant incidence of family businesses over 60 or 100 years old.			

Source: own collection

Below I present two derivations that provide opposite explanations and conclusions for the survival rate.

- (1) According to *Ward (1997, 2004)* and his followers, less than 30 per cent of family businesses survive to the third generation and less than 15 per cent survive beyond this generational stage (Ward 1997, 2004, Lee et al., 2003, Le Breton-Miller et al., 2004). According to Ward (2004), wealth does not survive beyond three generations. In the sample of 200 firms that he studied for the period 1924-1984⁴⁶, 20 percent of the firms survived the period, and 13 percent of the 20 percent (5 firms) remained in the same family only at the end of the period. Ward (2004) attributes the decline in survival rates to (a) Internal firm characteristics: small (non-economy of scale) privately owned corporate form, weak external financing ability, lack of adequately skilled employees, lack of a strategy for the future (b) Family factors. As the number of family members increases, multi-generational families emerge, with family members having different values and motivations. The family's growing expectation of returns is prioritised over reinvestment of profits/capital. (c) External environmental factors. No response to environmental (technological) changes.
- (2) *Stamm & Lubinski (2011)* refute the thesis of a general disappearance of family firms over three generations. They argue that the historical roots and geographic location of businesses should be examined. They examined the lifetime of family businesses over

⁴⁶ Ward (1997) examined the survival rates of 200 manufacturing firms in the United States over the period.

the period 1960-2008 in a sample of 310 items⁴⁷, of which 165 were family businesses⁴⁸. In 1960, 18 per cent of the businesses were over 100 years old and 63 per cent were over 50 years old. In 2009, 41 of the sample were still independent family businesses with an average age of 130 years. Stamm & Lubinski (2011) propose to study *mortality rates* instead of survival rates, which they justify by (a) Chandler's (1977) claim that family businesses grow to the stage in their life cycle when ownership has been dissipated (many owners) and a professional management takes over, thus eclipsing the family, is based mainly on the experience of the United States. (b) The statement "family businesses disappear in three generations" is a general statement, neither scientifically nor statistically proven. Nor are the geographical variations in survival rates and their historical roots examined. Demography is defined by mortality and age, and therefore the demographic characteristics of firms could be defined by mortality rates.

In addition to the time-series (survival rate-based) analysis of transgenerational wealth transfer, it is also necessary to examine the variation in the weight of family/family-type enterprises by country. The reason for the variation by country is twofold. On the one hand, the conceptual definition of family varies across societies and countries. On the other hand, the different development paths of capitalism have led to a different weight of the family business sector in each national economy.

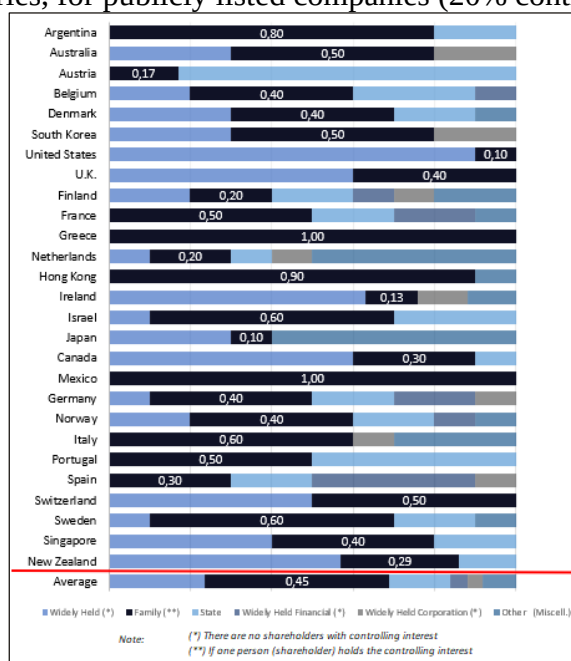
- *The heterogeneity of the definition of family.* The concept of family varies from society to society, and its definition depends on social norms and values (Tillman & Nam, 2008). The de facto concept of family does not necessarily correspond to its formal, de jure definition. The family is a socio-social unit with a historical-conceptual evolution, and in demographic (statistical) analyses it is usually associated with the household (persons sharing a common residence) (Tillman & Nam, 2008). The United Nations (UN) has made recommendations for the definition of the family unit in statistical surveys and censuses, stating that countries may extend the definition of family beyond the definition of the family unit according to their own interests (United Nations, 2008). Different countries vary considerably in the extent to which they follow the UN recommendations, who constitutes a couple, and the extent to which they recognise consensual cohabitation or homosexual couples. In Hungary, the Ninth Amendment to the Constitution (the Fundamental Law of Hungary, 25 April 2011) clarifies the content of the family. The Constitution states that the institution of marriage is a voluntary community of life between a man and a woman. The basis of the family relationship is marriage and the parent-child relationship, in which the mother is a woman, and the father is a man (Fundamental Law of Hungary (25 April 2011), Fundamental Principle. Article L (1)). The Hungarian legal system applies a narrow interpretation of the family and does not recognise cohabitation or same-sex marriage. It considers the family *expressis verbis* to be a community of life based on marriage between persons of different sexes and limits the child-adult relationship to direct (first-degree) parent-child relations (United Nations, 2008, 2.126).
- *Different development paths.* The different social development paths have led to the emergence of different legal institutional systems (money and capital market systems) and corporate ownership structures in each country. Developed capital markets are characterised by a high proportion of public and publicly owned firms. Countries with

⁴⁷ Stamm, & Lubinski (2011) investigated the lifetime of family businesses in a regional sample in Germany (Munich and Düsseldorf, West Germany).

⁴⁸ A family business was considered if it had at least 50 per cent voting rights or 25 per cent controlling interest and had more than 250 employees.

a preference for direct bank financing are characterised by private or low public ownership. La Porta et al, (1997, 1998, 1999) examined the strength of family influence along the following lines. A combined analysis of private and public companies would provide a picture of the role of family firms in a given national economy. The available statistics on family character and involvement are limited. However, a critical characteristic of both sets (private and public) is ownership and participation in governance (management). There are significant differences between countries in the extent and strength of ownership influence. The protection of minority shareholders, the degree of influence can vary from country to country, and control of the company can be exercised with a lower shareholding. A similar variation in the right of control (management and controlling bodies) is also a function of legislation and regulations set by different regulatory bodies (capital market supervisors). According to La Porta et al, (1997, 1998, 1999), despite the differences in institutional arrangements across countries, an analysis and comparison using the same criteria can provide a good picture of the role of family firms in a given national economy. La Porta et al. (1999) examined and compared ownership structures on the basis of a sample of medium and large firms in 27 countries. The firms were divided into two groups, widely held and ultimate owners. Five types of ultimate owner firms were distinguished: family, state, financial (bank, insurance), corporate (public) and other⁴⁹ owned firms. Firms were analysed according to the degree of controlling stake in two approaches: (a) direct or indirect voting rights of the owner exceeding 20 per cent, and (b) controlling rights exceeding 10 per cent due to cross-ownership or pyramidal group structure. According to their research, family influence is significant in 30-35 percent of the largest publicly listed companies, and significant in 45-53 percent of companies with a market capitalisation of at least USD 500 million (see Figure 27).

Figure 27: Degree of family influence
In some countries, for publicly listed companies (20% control right limit)⁵⁰



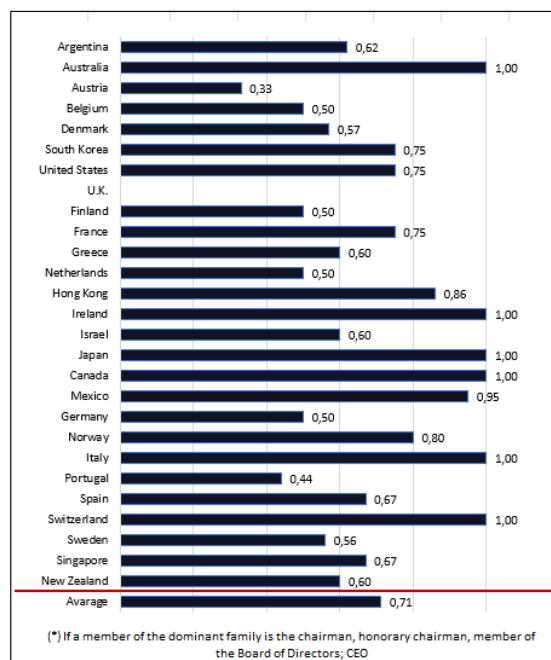
Source: based on La Porta, Lopez-de-Silanes, & Shleifer (1999) own ed.

⁴⁹ Other is a cooperative or ownership group that does not have a single member with a controlling interest.

⁵⁰ a sample of 10 companies with a market capitalisation of at least USD 500 million (\$500 million) at the end of December 1995

Where the family influence is significant (direct or indirect voting rights exceed 20 percent), 69 (71) percent of the companies have direct family involvement in the management of the company (see Figure 28).

Figure 28: Management ratio for family firms
In some countries, for publicly listed companies (20% control right limit)⁵¹



Source: based on La Porta, Lopez-de-Silanes, & Shleifer (1999) own ed.

Morck & Steier (2005), looking at the history of the development of the capitalist economic system, notes that several types of capitalism - shareholder, family, banking, state - have emerged in terms of corporate governance structures. Shareholder capitalism is characterised by direct capital market financing of the company and governance structures (executive, non-executive board, etc.) where shareholders are collectively able to control the quality of governance and hold the rules to account. Family capitalism is characterised by the concentration of control of large companies in the hands of a small number of families. It gives fewer rights to outside investors and family firms make up a larger share of the stock market. It is characterised by the development of various shareholder control arrangements. These include cross-ownership, different voting rights and the formation of pyramid-like business groups (La Porta et al., 1999). Control is concentrated in the hands of a small number of families and can become counterproductive if the heir becomes incompetent, the manager too conservative (avoiding innovation) or overly protective of his status (Morck & Steier, 2005).

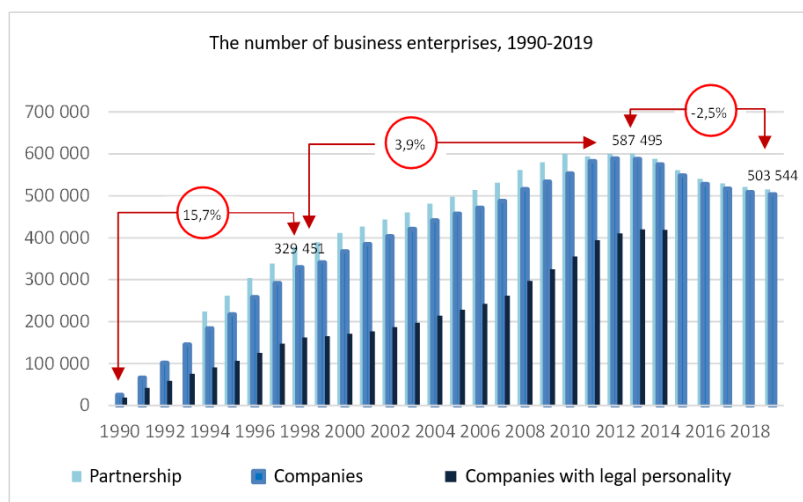
2.4.3. Domestic specificities

The organic development of society and the economy is giving rise to new institutional forms (corporate forms separating ownership and management, capital markets, etc.) which allow the separation of family and business. Aldrich & Cliff (2003) argue that the family embeddedness of enterprises and the socio-economic nature of families - the family as a source of succession, labour, norms, behaviours and values - have a major impact on the nature and development of enterprises. The family embeddedness of enterprises persists in all economic systems, but their

⁵¹ (sample) Of the 20 largest companies by market capitalisation of shares at end-1995.

economic weight varies significantly across national economies⁵² (Carney et al., 2014). The Hungarian SME and family business development trajectory differs from organic development, as in other former socialist countries. Organic development was disrupted by the socialist economic establishment, and then the sudden collapse of the system reopened the possibility of reintroducing family-oriented enterprises and 'old-new' institutional forms of the economy. In the 1990s, thousands of private enterprises were created at an accelerating pace, either from the top down, as a result of spontaneous privatisation, the dismantling of state ownership, or from the bottom up, in the form of enterprises built up on the basis of their own ideas and business concepts. Growth slowed down in the early 2000s. During this period, founders were still in charge of the businesses, and this situation is still the case today, even though the generation that changed the system in the 1990s had already reached retirement age (Hajdu, 2022).

Figure 29: Evolution of the number of partnerships, companies and companies with legal personality and average growth rate of the number of enterprises over the period 1990-2019.



Source: <http://KSH> Number of business enterprises, Retrieved 22.11.2020 - own ed.

The limited data available suggests that there are a significant number of businesses where the owner is approaching exit constraints due to age. More than half of businesses with an annual turnover of at least HUF 100 million - around 12,000 - will soon be affected by some form of generational change. It is estimated that there are around 850 privately owned medium-sized companies with a turnover of more than €1 million and an owner's average age of 62 years⁵³. The number of businesses with owners aged over 60 is 53,000⁵⁴.

The possibilities for intergenerational transfer of wealth are determined by the specificities of domestic development.

- *Lack of experience and owner unpreparedness* for change. The risk is not the diversity of businesses, but the unpreparedness of owners for generational change. Family businesses can be a very heterogeneous group in terms of their purpose (Chrisman et

⁵² For example, in Germany, the multi-generational small and medium-sized enterprise (SME) class (Mittelstand) is the driving force of the economy. France is characterised by the absence of this SME population, China by the proliferation of one-generation ethnically based family firms, while the United States of America is already characterised by the proliferation of three-generation dynastic family firms (Carney et al., 2014).

⁵³ Ministry of Innovation and Technology (2019) Strategy for Strengthening Hungarian Micro, Small and Medium Enterprises (2019-2030), Ministry of Innovation and Technology, Budapest.

⁵⁴ Magyar Nemzeti Bank (2019): Financial Stability Report, May 2019. Magyar Nemzeti Bank, May 2019.

al., 2012). This is also the case for domestic businesses. They can include 'forced enterprises that cover the employment relationship, those that provide for the family's livelihood, those that are acquired through spontaneous privatisation and inherited in their organisation, but also those that supply multinational firms or build modern corporate operations to exploit market growth opportunities' (Hajdu, 2022). Domestic SMEs and family businesses are typically first generation - established after the regime change in the 1990s - where the founding owner-managers are still the operational managers of the business. The exit of the founders, the transfer of the businesses has not taken place either to new owners or managers from outside (external) or to the younger generations from within, the family members of the founding owners. There are no years of experience and no patterns or transformation models to learn from.

- *Unpreparedness of companies* for change, lack of professionalisation. Growth over time leads to the evolution of the organisation and the complexity of the operational process, which forces professionalisation according to the degree of development of the firm (Stewart & Hitt, 2012). Corporate professionalisation is the operation of the firm independently of the founder-owner-manager, the development of self-driven corporate operating mechanisms. This has several dimensions - effective corporate governance systems, formal financial and controlling systems (Giovannoni et al., 2011), the formal human resource system dimension. The knowledge (tacit knowledge) and skills needed to manage and operate domestic SMEs and family businesses are still generally held by the founder. No successor manager has yet been appointed, either from within the company or from outside. The organisational and operational processes are not ready for handover, and management is still manual. The appointed formal manager remains a follower, serving the information needs of the owner-manager or implementing decisions. The enterprise is not self-propelled, professionalisation has not started or has started only rudimentarily.
- The rapidly changing *economic environment*. Digitalisation is breaking up traditional interdependent value chains and creating a circular platform economy (Kenney & Zysman, 2016). Sustainability investment is becoming more intensive as the circular economy model replaces the linear economic model, bringing sustainability and recyclability dimensions to the fore, thus defining the long-term horizon for capital investment. Traditional business operating models will be disrupted, and survival will be in the hands of those who implement innovative, efficient business structures.
- *Lack of an established institutional system*. There is little experience of the role of institutional forms that support transgenerational wealth transfer - trusts, asset management funds, private equity and investment funds, holding companies - in the succession of family businesses and in succession strategies. The number of available cases is still limited.

2.4.4. The dilemma of transgenerational wealth transfer

Succession is any transaction or event that involves the transfer of ownership and/or management position of the family business. Transgenerational wealth transfer is the intergenerational transfer of the family business (wealth) in the succession process. A critical success factor for succession is the existence and quality of the exit strategy of the transferor and the willingness and adaptability of the successor generation. The *exit strategy* is the transferor's (incumbent's) "future vision and intention" (Hajdu, 2022) for owning and managing the family business. In Hungary, this is still typically the strategy of the first generation of

founding owner-managers. According to Zellweger (2017), the transfer of control (management) and ownership can be made according to the direction of the transfer to a family member (*intra-family*), to a person outside the circle of relatives (*outside the family*), or to both (*mixed transfer*). The possible combinations of the transfer of the two factors - management and ownership - determine the succession of 'exit options' available (Zellweger, 2017). (See Figure 30.) Transgenerational wealth transfer is linked to incumbency exit options for intra-family and mixed transfer.

Figure 30: Succession alternatives depending on the nature of ownership and management

Management	Intra-family	Succession within the family Family ownership and family management	Mixed ownership and family management	Family management continues after succession
	Mixed transfer	Family ownership and mixed management	Mixed ownership and mixed management	Mixed management survives / or created after the succession
	Outside the family	Family ownership and „nonfamily“ (external) management	Mixed ownership and „nonfamily“ (external) management	Succession outside the family MBO / IPO External investor Final accounting
		Intra-family	Mixed	Outside the family
		Ownership		


the intensity of the family character

Source: Zellweger (2017) and own editing

The actual feasible *exit and transgenerational wealth transfer alternatives* and their realities are influenced by the external and internal operational characteristics of family businesses. Internal characteristics determine the degree of independence of the business from the transferor owner, the degree of separation (distance). The external factors are the alternatives to succession exit and transgenerational wealth transfer.

The objective external and subjective internal variables of intergenerational wealth transfer, and their combinations, shape the alternatives and the time needed to carry out the transfer. The *external variables (indicators)* are the environmental conditions. These are the socio-economic environment, the legal system, the institutional system, inheritance law, and the tax system. *Internal variables (indicators)* are the conditions arising from family relationships and business. The nature, structure and complexity of the business (wealth), its preparation-development (level of professionalisation), the intention and psychological state of the incumbent, the established-established business organisational, management-operational structure, the preparation, ability and skills (motivation and intention) of the successor taking over, attitudes within the family, the nature and degree of nepotism and altruism. *The incumbent's dilemma* is to weigh up and choose between the succession (wealth transfer) options for the family business, the transgenerational wealth transfer options, which arise from the mutual interaction of external and internal indicators.

In the following, I will systematise and present the variables influencing the process of transgenerational wealth transfer and the choice of the form, broken down by external and internal indicators. The opportunities and risks that each variable may pose to the incumbent's decision are also discussed.

2.5. System of external indicators

External conditions are variables outside the scope of the family and the firm that determine the possible alternatives for succession and transgenerational wealth transfer in a general sense for everyone in a given country. These are the institutional environment of the transfer process and the combination of structural variables (objective input variables) that result from the society and legal system in question. According to Carney et al. (2014), the interaction between inheritance law and the political and socio-social values embedded in society creates the *institutional matrix* of external variables for intergenerational wealth transfer. The institutional matrix of external variables varies across countries and has different implications for the long-term survival of family businesses in different legal systems. The external structural variables can be derived from the inheritance law of the legal system of the society in question. They are related to three dimensions that determine *the form of* intergenerational wealth transfer: (1) the freedom of testamentary succession, (2) the existence, development and regulation of the institution of intermediaries or surrogates, and (3) the system of wealth and inheritance taxes (Carney et al., 2014, Hajdu, 2022).

2.5.1. Succession rules. Freedom to make a will

Succession rules are sui generis institutions linked to property, regulating the transfer of wealth between individuals and generations in the event of death. Each legal system has its own rules on succession and the transfer of property, which differ in the degree of freedom of testamentary dispositions, the nature of the intermediary institutions and the rules on inheritance taxes. These legal institutions are in constant interaction with each other. According to Carney et al. (2014), they can distribute, reduce and redistribute wealth, and, together with other social institutions, directly affect the country-specific succession and longevity of the archetypal family firm.

The inheritance law of a given country determines *expressis verbis* the legal constructions available to the founder to use in transgenerational succession (*formal definition*). *Dispositional institutions* such as wills, trusts (entail) and foundations, as well as the compulsory portion or state inheritance, determine the flow of wealth between generations, the *direction of* wealth transfer. They generate changes in property ownership. Such provision-based changes in property rights can create tensions between the free exercise of property rights by the individual and the social obligation to family members and spouse. However, excessive restrictions on the freedom of disposal, as reflected in the legal provisions on inheritance, can have a counterproductive effect, negatively impacting economic development and leading to lower investment/investment rates in family businesses. According to Carney et al. (2014), if freedom of disposal is excessively restricted by the legal institutional system, wealth becomes *dead money*. In successions, wealth becomes fragmented and is not efficiently used. If the inherited wealth (the family firm) is distributed in such a way that it passes into the hands of successors who are unable or not interested in rationally managing or controlling it, the share of wealth increases the dead money stock.

2.5.1.1. Freedom to make a will

The freedom of testamentary dispositions means that every natural person is free to decide what happens to his or her assets on death. According to Ellul et al. (2010), the degree of freedom of disposition is higher in common law-based legal systems than in continental law-based countries. In countries with a common law tradition, there are no restrictions on the share of property that can be left to any heir. In continental law countries, there are generally restrictions on the share of property that can be inherited, but to varying degrees. In their view, a higher degree of freedom of disposition is associated with higher investment/financing rates in family firms. Succession, they argue, can slow growth and investment, or even lead to liquidation. If the succession rules also allocate assets to persons not involved in the business, this will reduce the ability of the company to hedge (pledge) future earnings to an external financier. This will limit the company's ability to finance new investments. Funds allocated to heirs who are not controlling shareholders, who are not involved in the company and its management, will impair the company's ability to raise finance because they will suck the funds out of the family business. It cannot be compensated for by external funding.

Ellul et al. (2010) investigated the extent to which inheritance laws restrict the free intergenerational transfer of wealth within families. They defined *the degree of freedom of a country's inheritance law* as the maximum share of the estate that can be left exclusively to a single child, depending on the existence of a spouse and the total number of children. This percentage is binding on the testator and cannot be exceeded by donation, as heirs can challenge it in court. Their research has shown that the degree of testamentary freedom in common law countries is much higher than in continental or civil law countries. Most common law countries have full freedom. It is possible to leave a legacy to a single child, regardless of the existence of a spouse and the number of siblings. By contrast, in civil law countries, the law limits the proportion that can be left to one child, and the limit is stricter if there are multiple siblings and/or a surviving spouse. The degree of freedom of inheritance according to the Hungarian Civil Code corresponds to this statement. (See figure 31!)

Figure 31: Degree of freedom of provision in some countries

Country	2 children no spouse (1)	3 children no spouse (2)	1 child, with spouse (3)	2 children, with spouse (4)	3 children, with spouse (5)	Country	2 children no spouse (1)	3 children no spouse (2)	1 child, with spouse (3)	2 children, with spouse (4)	3 children, with spouse (5)
Argentina	0,667	0,556	0,667	0,556	0,5	Cayman Islands	1	1	1	1	1
Australia	1	1	1	1	1	Canada	1	1	1	1	1
Austria	0,75	0,667	0,833	0,667	0,611	Kenya	1	1	1	1	1
Bangladesh	0,5	0,333	0,667	0,333	0,222	Colombia	0,75	0,667	0,5	0,375	0,333
Belgium	0,667	0,5	0,5	0,333	0,25	Kuwait	0,5	0,333	0,667	0,333	0,222
Bolivia	0,6	0,467	0,8	0,5	0,4	Latvia	0,75	0,667	0,75	0,667	0,625
Brazil	0,75	0,667	0,75	0,667	0,625	Lebanon	0,75	0,667	0,9	0,7	0,633
Bulgaria	1	1	1	1	1	Liechtenstein	0,75	0,667	0,666	0,5	0,444
Chile	0,75	0,667	0,75	0,625	0,6	Lithuania	0,75	0,667	0,875	0,688	0,625
Cyprus	0,625	0,5	0,625	0,5	0,438	Luxembourg	0,667	0,5	1	0,66	0,5
Costa Rica	1	1	1	1	1	Hungary	0,75	0,667	1	0,75	0,667
Denmark	0,75	0,667	0,8330	0,667	0,611	Malta	0,833	0,778	0,75	0,583	0,528
South Africa	1	1	1	1	1	Mexico	1	1	1	1	1
South Korea	0,75	0,667	0,7	0,643	0,611	Monaco	0,667	0,5	1	0,667	0,5
UK	1	1	1	1	1	Germany	0,75	0,667	0,75	0,667	0,625
El Salvador	1	1	1	1	1	Norway	0,667	0,556	0,75	0,417	0,305
Estonia	0,75	0,667	0,75	0,667	0,625	Italy	0,667	0,556	0,667	0,5	0,417
Finland	0,75	0,667	1	0,75	0,667	Peru	0,667	0,556	0,667	0,556	0,5
France	0,66	0,5	1	0,66	0,5	Portugal	0,667	0,556	0,667	0,542	0,472
Philippines	0,5	0,333	0,5	0,333	0,25	Romania	0,667	0,5	0,875	0,583	0,438
Greece	0,75	0,667	0,875	0,688	0,625	Spain	0,833	0,778	0,667	0,5	0,444
Guatemala	1	1	1	1	1	Sri Lanka	1	1	1	1	1
Hong Kong	1	1	1	1	1	Switzerland	0,625	0,5	0,75	0,5	0,417
Netherlands	0,75	0,667	0,75	0,667	0,625	Sweden	0,7500	0,667	1	0,75	0,667
Croatia	0,75	0,68	0,75	0,68	0,625	Saudi Arabia	0,5	0,333	0,667	0,333	0,222
India	1	1	1	1	1	Slovak Republic	0,75	0,5	0,75	0,5	0,375
Ireland	1	1	0,667	0,667	0,667	Taiwan	0,75	0,667	0,75	0,667	0,625
Iceland	0,667	0,556	0,778	0,556	0,481	Thailand	1	1	1	1	1
Israel	1	1	1	1	1	New Zealand	1	1	1	1	1
Jamaica	1	1	1	1	1	Uruguay	0,667	0,5	0,667	0,5	0,438
Japan	0,75	0,667	0,75	0,625	0,583	USA	1	1	1	1	1
Jordan	0,5	0,333	0,667	0,333	0,222	Venezuela	0,75	0,667	0,75	0,667	0,625

Source: Ellul, Pagano, & Panunzi (2010)

The restriction of the freedom of disposal is reflected in the principle of social justice in the form of some compulsory distribution of property. In Hungarian inheritance law, this is the compulsory portion (Civil Code, § 7:75). However, artificial division of wealth can destabilise the firm and have a negative impact on the level of economic growth, because it can reduce the rate of investment in the family business (Carney et al., 2014, Ellul et al., 2010).

2.5.1.2. *Entail*

The entail is the deceased's hand on an undividable estate (Carney et al., 2014). It is a legal institution originating from feudal land tenure and governed the inheritance of the landowning class, which was removed from legal systems as modern society developed. It limited the freedom of testamentary dispositions by removing property from the inheritance and market processes in order to avoid its alienation. The heir could enjoy the property but could not alienate it, could not mortgage it or otherwise encumber it, and had to pass it on to the next generation. In property law, it allowed the testator to control the property for the future. By restricting ownership, it controlled the property and ensured that it was kept intact for future generations. In economic terms, it maintained the deceased's ownership rights over his heirs (Friedman, 1964) and eliminated the possibility of turnover. According to Schulze et al. (2003), the belief system could also give rise to the "fallen child" syndrome ("*the dark side of altruism*"). An heir who is a beneficiary in the inheritance of family wealth, however undeserving, has benefited from the inheritance and is able to live a life of wastefulness without consequence, risk-taking or responsibility.

Summary and conclusion

Based on my review of the relevant literature (Schulze et al., 2003, Ellul et al., 2010, Carney et al., 2014), I have come to the following two conclusions.

- *Restricting the freedom of disposition* will force the testators to divide assets equally among family members (the general order of intestate succession). This will destabilise the capital base of the family business because the legal provisions for compulsory equal inheritance will automatically and gradually distribute capital into many separate hands. It will fragment the right to dispose of capital (including control), which will also impair and eliminate unified control. They argue that the *lifespan of the family business is reduced* where inheritance laws reduce and divide family business assets (Carney et al., 2014).
- *Restrictions on the transferability of assets* impair their value. Inheritance rules have normative social, political and economic consequences (Bertrand & Schoar, 2006, Morck et al., 2000). Institutions that restrict free will, such as the entail or any other legal institution that restricts the transferability of property (trusts, family trusts), *suspend* permanently or temporarily *the* marketability of property. Any restriction on inheritance and the distribution of assets removes the asset from the market because the assets are distributed on the basis of legal rules and the allocation of capital is not determined by market forces. Carney et al. (2014) argue that the *value of family firms' assets will decline* if inheritance law restricts the transferability of assets. This can occur when inherited assets are withdrawn from the market and excluded from market processes and competitive allocation.

Restrictions on the distribution of property and the allocation of capital and their negative impact on the value of property are linked to legal instruments which restrict the marketability

of the *individual* assets or elements of assets that make up the property. In the case of legal instruments that *consider* the property *as a set of* assets and are based on the combined value of the total assets of the total property, but do not exclude marketability for the assets that make up the property, the preservation of the value of the property or *the increase in value can be maintained*. The allocation of assets and the limitation of the distribution of assets at inheritance may have the effect of either preserving or increasing the value of the assets. Such an institution, which considers the totality of the assets, is the trust, the family trust and the asset management foundation. It can be advantageous because the trustee acts in place of the temporarily incapacitated or unprepared heir and will return a post-trust value-preserving/value-enhancing asset to the heir in a time-shifted manner. Between the two dates of transfer and release, the assets comprising the property are exchangeable and marketable, and the trustee's liability is for the property as a whole and its full preservation of value.

2.5.2. The institution of surrogates

Property can be transferred not only to the direct heir but also to a third person outside the family circle. The transfer is made by way of a disposition of property and usually matures. The property is transferred to the third party, the trustee, for a limited period only, who replaces the settlor in the administration of the property. Surrogates are non-family fiduciary agents who are usually introduced by the founder of the firm to discretely manage the affairs of the beneficiaries, the heirs or legatees, while also supervising the managers who run the firm (Carney et al., 2014). According to Mehrotra et al. (2011), the institution of surrogates is a *mechanism* to involve outsiders with skills and talents in the management of the firm's affairs in the absence of qualified or unqualified family members. The phenomenon can also be found in the form of guardianship and representation in rules related to adoption and marriage.

The institution of the surrogate first appears in the work of Marcus (1979, 1985) as a *rational-legal authority* within the family, in the form of a fiduciary agent, acting as a surrogate for the founding patriarch, the founder-owner with authoritarian and financial power. The purpose of the rational-legal authority, the *family trustee*, is to maintain and preserve family capital. Marcus (1979) historically places the emergence of the institution of the surrogate at the time of the transition between the second and third generations. In Marcus' view, this is the period 1920-1950 in the United States of America. Through the story of two American families, he illustrates the generational transitions and the changes in the legal institutions associated with generational transitions⁵⁵. He concludes that the choice of *the specific legal form of* surrogates varies *according to the purpose of* the family. The choice of institutional form is determined by the purpose of the family (member).

According to Marcus, family businesses adapt rather than resist socio-economic development by building up organisational structures. The role of rational-legal authority that he identifies for the trustee in maintaining and preserving family capital contrasts sharply with altruistic (Schulze et al., 2003) and emotional narratives (Gómez-Mejía et al., 2007, Gomez-Mejia et al., 2010). Carney et al. (2014) draw attention to the potential for *emotional conflict*. According to them, the inclusion of a founder-selected person (arbiter), impartial in financial and business

⁵⁵ In one case, the change in the form of family business management was simply to adapt to the change in ownership after the generational change. The aim was to keep the old companies in business and ensure direct family management of the newly created companies. In the other case, families built up a complex pyramid of corporate holdings or trust/fiduciary asset management. Independent management was used, with only remote influence from family members and family members of the boards of directors.

matters, in the transgenerational transfer of wealth, foreshadows emotional (emotion) conflicts with a rationally and legitimately functioning corporate mechanism.

2.5.2.1. Family trusts and other surrogate arrangements

The family trust or *dynastic trust*, as introduced by Marcus (1979) and Friedman (1964), allows the founder to retain and perpetuate his right of control over the firm. He appoints a trustee to manage the family capital while being able to separate his personal and emotional interests from the affairs of the company. Dynastic wealth management is characterised by a loss- and *risk-averse* behaviour in its liability regime due to the family (family business) nature (Gomez-Mejia et al., 2010, Chrisman & Patel, 2012).

To counteract the conservative risk-taking strategies of dynastic trustees, the founders (accumulators) of large fortunes are seeking to develop new instruments that relax the strict fiduciary responsibility of trustees. Instead of risk avoidance at the asset level, they prefer *risk management at the portfolio level* (UPIA, 1994, Langbein, 1995.b, Halbach, 2000, UTC 2000, 2003, Hudson 2010, Boxx, 2012). On the other hand, *the evolution of the rules* governing wealth management, assets and securities is also continuously broadening the scope of the institution of surrogate forms of management, which also expands the toolbox of founders' intergenerational succession strategies. As a result of these two effects, new legal institutions and *other forms of surrogates* are being used to support trusts, such as the private trustee, the holding company, the single and multifamily offices or the family consultancy (Strike, 2012, Wessel et al., 2014, Carney et al., 2014, Zellweger & Kammerlander, 2015, Zellweger, 2017). A common feature of these is that the fiduciary agents (the substitute) are subject to a less binding standard of fiduciary conduct (UPIA, 1994, Langbein, 1995.b, Halbach, 2000, UTC 2000, 2003, Hudson 2010, Boxx, 2012, Carney et al., 2014).

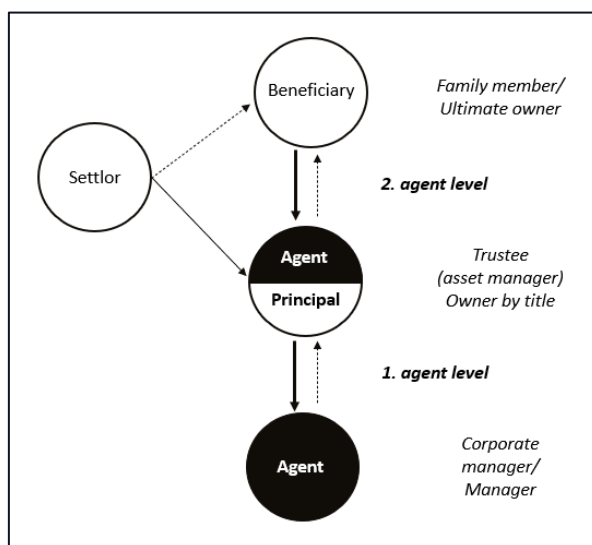
2.5.2.2. Duplication of asset management

By placing the family business in the hands of the substitute, the settlor (incumbent) creates *an ownership leverage* between the beneficiaries and the managers of the assets (company). The asset management is duplicated. By introducing a trustee, the incumbent further distances the ownership (right of control) of the beneficiaries and the object of ownership (the assets) by placing a second agent between the beneficiaries and the professional managers of the assets (Carney et al., 2014, Zellweger & Kammerlander, 2015). The second agent acts in his own name, as a quasi-owner of the assets, vis-à-vis the first level agent, the manager of the company. At the same time, he acts as the manager and agent of the assets towards the beneficiaries assigned by the incumbent. The incumbent establishes a *dual-agent relationship* in which agents observe other agents *in a vertical order of* dual separation of ownership and control (Child & Rodrigues, 2003, Arthurs et al, 2008, Boxx, 2012). (See Figure 32!) According to Carney et al. (2014), the wealth, the family business, becomes the capital inherited by the trust (patrimonial capital), the substitute (trustee) becomes the *trust-led entity of* patrimonial capital.

Surrogates, once created, can take on a life of their own, operating as a separate corporate entity or as a separate legal entity (Zellweger & Kammerlander, 2015). The emergence of a dual agency situation causes the incurrence of a *dual agency cost*. The dual agency level can lead to a significant increase in costs, but also to rational family capital management (Carney et al., 2014). Surrogates are placed in dual and conflicting positions. They decide in favour of beneficiaries and/or themselves based on their own quasi-ownership preferences and agency

interests. The contradiction of the dual position is objective, a contradiction that only *trust* can resolve (Bertrand & Schoar, 2006, Eddleston, Chrisman, Steier, & Chua, 2010).

Figure 32: Duplication of asset management



Source: own editing

In my view, the individual management of assets is *shifting* towards portfolio management and diversification of assets, and risk management at portfolio level. The place of risk management decisions and control of family wealth is not at the family business level (corporate level) but in the activities of surrogates (the trustee, family offices, trust, etc.). As a result, the dynamic redistribution of the family business capital (assets) is transferred outside the family business, which is the basis of the family business, and is concentrated in the hands of the surrogates. The emergence of a dual agency level does not necessarily imply a duplication of agency costs due to efficient portfolio management.

2.5.2.3. *Distinction from the entail*

An entail is the deceased's hold on an undivided estate, by which the estate is removed from the succession process, ownership is limited, and the estate is controlled for the future. The legal institution was abolished by the civil revolutions. *Primogeniture*, the designation of primogeniture, has survived, but it is no longer a legal institution but a social norm, and does not limit the marketability of the inheritance.

The most significant difference between the entail and a trust is that while in an entail the land is tied (unmarketable) and perpetual, in a trust the capital is freely transferable, *marketable and maturing for* a fixed period of time. The trustor enters into a fiduciary relationship in which he or she authorizes and grants title to the trustee to contract or encumber property. Its effectiveness is determined by the specific rules and regulations governing the management and operation of the trust. The tension between the property rights of the living (descendants) and the dead (testators), and efforts to resolve the effect of the dead hand, are reflected in the laws which generally prohibit the creation of perpetual trusts. The *rules against* perpetuities specify the number of years that property may operate in trust before it becomes the absolute, exclusive property of the heir, with all the rights of ownership (Carney et al., 2014).

In recent decades, attempts have been made to revive capitalist formations of entail type institutions. These institutions are linked to accumulated wealth, invested capital, and are not

attached to land as a feudal means of production. Such institutions are dynastic trusts and perpetual trusts (Friedman, 1964, Dukeminier & Krier, 2003, Carney et al., 2014), which are perpetual trusts (currently only established in some US states for tax reasons).

2.5.3. Inheritance taxes

The estate is the acquisition of the heir in the event of the death of the testator (*cipio mortis causa*). Inheritance tax is the taxation of the estate. Inheritance tax is a combination of *wealth tax* and *inheritance tax* arising after the death of the testator, taxes on wealth related to the transfer of property. Wealth tax may be levied on the value of the deceased's entire estate and inheritance tax on the inheritance due to the natural person beneficiary. Property taxes generally reduce the value of the estate, while inheritance taxes do not affect the value of the estate (Carney et al., 2014).

According to Beckert (2008), in Anglo-Saxon common law and in continental civil law, the right of succession is a positive right created by political decisions. Death is an emotional issue and the acquisition and inheritance of property on death is a sensitive socio-social phenomenon. According to him, the *controversial nature of* inheritance tax is caused by the fact that the revenue of budgets from such a source is typically negligible. On the other hand, the unequal distribution of wealth means that only a tiny fraction of a society actually pays inheritance tax. Paradoxically, the wealthiest are typically unaffected by the taxation of their wealth after death, because they consciously plan for the fate of their wealth beforehand.

Inheritance tax is payable on property that is part of the estate and is transferred by will or by law. In a transgenerational transfer of property, the property is not the family business, but the deceased's share in the family business. The *ownership interest in* the family business (share, share capital) also becomes part of the estate as a security.

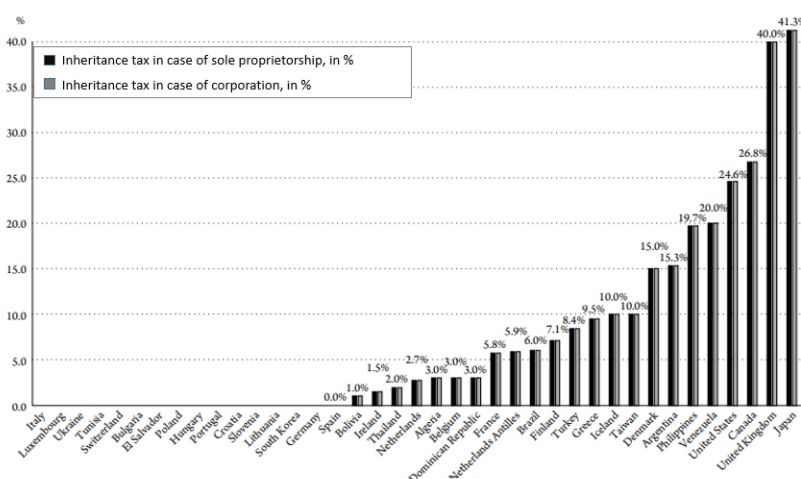
According to Ellul et al. (2010), inheritance tax (mainly wealth tax) reduces investment in the family firm because it reduces the amount of capital that can be invested. This inhibits economic growth. According to them, the tax rate *has an opposite effect on* the investment/savings rate and the propensity to consume of the deceased. A high tax rate reduces the saving rate and increases the propensity to consume during the lifetime of the testator (Ellul et al., 2010, Carney et al., 2014).

According to Carney et al. (2014), inheritance taxes can be counterproductive, and their excessive size *hinders* socio-economic *development*. Their imposition can erode the asset base of the family firm if assets have to be sold to comply with tax provisions (tax liability) or transferred to a third party to optimise tax payments (tax avoidance). The high inheritance tax provides an incentive for the owner to freeze capital. The assets are formally placed in trust (foundations, trusts, etc.) to avoid tax. The transfer of assets is then technically optimal - you own them as a beneficiary and can designate yourself as a beneficiary (Civil Code § 6:317) - but you do not actually own the assets. He cannot dispose of the assets. This in turn limits the heir's ability to turn the assets into new activities and more profitable investments (Carney et al., 2014).

Inheritance tax *rates* vary considerably across countries, but the differences are driven by similar objectives of tax systems (see Figure 33). According to Zellweger (2017), there are social and economic policy reasons for the tax rate. The progressivity of inheritance taxes should satisfy the social need to prevent excessive wealth concentration. A threshold should be

applied (exemption below the threshold). The tax rate should be related to the degree of kinship (the closer the family ties, the lower the tax). Certain types of assets should be exempt from tax (e.g. donations, spousal usufruct). There should be a link between the tax liability and the legal form of the assets (direct ownership and indirect ownership: foundation, trust, multiple holding, etc.).

Figure 33: Inheritance tax rates for sole proprietorships and shareholdings



Source: Zellweger (2017)

Beckert (2008) argues that competing value theories underlie the differences in inheritance taxes across countries. Depending on which principle takes priority in a given society, it determines the nature of inheritance taxation in that country. It has identified four principles on the basis of which inheritance is divided, and inheritance tax is levied. (1) The family principle states that property is not in fact the property of the testator but of the family as a legal unit. The Hegelian philosophy behind this notion is that the process of inheritance is not really a transfer of property but a redistribution of wealth among family members. (2) The principle of equal opportunity advocates the redistribution of inheritances by the state. At the macroeconomic level, the tax rate on inheritance is intended to counteract the drastic concentration of wealth. (3) The principle of equity aims to correct inequality. It is based on the assumption that heirs are able to bear a greater financial burden. Inheritance tax contributes to a fairer distribution of wealth and achieves social policy objectives. (4) The Community principle follows the value principle that the testator has a duty to ensure that the property is used for the common good after death.

The inheritance tax is linked to the institution of a *gift tax*. Gift tax is a tax payable on the transfer of property during the life of the owner, whereas inheritance tax is payable on the death of the owner. In order to prevent the difference between gift and inheritance tax from creating tax avoidance opportunities, countries tend to treat the two taxes and their rates together (Zellweger, 2017).

2.5.4. Economic development of society

The socio-economic environment of the process of transgenerational wealth transfer is determined by the socio-political and macroeconomic characteristics of the place of operation of the family firm. Objective external input variables of the process. They influence the vision and sustainability of the family business. They determine the external business operating conditions of generational wealth transfer. The socio-political, macroeconomic and

international economic environment and their interaction create the *socio-economic matrix* of external variables of intergenerational wealth transfer, which varies from country to country. The economic development of a given society is the dimension that has a direct impact on the form and process of intergenerational wealth transfer.

The adaptability of the family business to the economic development of society, its ability to react to changes in the economic environment and its reaction time affect its long-term survival rate. The Fourth Industrial Revolution, digitalisation, platform and circular economy replacing linear value chain models, requires a paradigm shift, efficient resource management and a change in corporate culture (Kenney & Zysman, 2016).

With generational changes at the social level, *social preferences* also change. Paradigm shifts at the societal level upend societal values and the environment in which business operates. Sustainability and environmental awareness are coming to the fore. Pressure from new generations of investors will push for the inclusion of sustainable environmental, social and governance (ESG) indicators in external financing decisions. The prevalence of sustainability (SDG, ESG) factors has a direct impact on firm value and corporate performance and creates a new operational financing environment for firms (Friede et al., 2015). According to Johnson & Parker (1996), regional and geographical location can also have a significant impact on the development of high value survival rates (Carney et al., 2014).

2.5.5. Sociocultural inheritance preference

Patterns of distribution (inheritance) of the testator's estate can vary considerably from country to country due to different traditions and social preferences. Different social and cultural roots determine how wealth is distributed between generations. The distribution of inheritance *varies* between primogeniture (passing down to the first-born legitimate heir son) and equal distribution among descendants. The distribution may be influenced by the sex of the descendants, birth order, family size (number of descendants), the testator's intention, the size of the estate, the nature of the assets and the composition of the estate. In addition to the cultural factors of society, historical traditions also determine the inheritance order and preferences expected in the family and customary in a given country (society).

Menchik (1980) has shown in his research⁵⁶ that the *principle of equal distribution* among descendants generally prevails over the altruistic model of inheritance. He distinguished between three types of estate distribution: (1) primogeniture, where the entire estate is transferred to the favoured person, (2) equal distribution of the estate, and (3) a compromise distribution model in between. This involves some proportional but unequal distribution of the estate among the heirs (typically in the case of multiple descendants). It is defined as an equal distribution of the estate among children of the opposite sex. The share of the male inheritance does not increase significantly with the size of the estate, the proportionality being maintained regardless of the size of the estate. Children born first or earlier do not receive a larger inheritance than their siblings born later.

The way in which the estate is divided is also influenced by the interrelationship between the freedom of testamentary succession and the legal system (Ellul et al., 2010). The principle of

⁵⁶ Menchik (1980) conducted his sample-based research in the United States of America. In his model, he examined how the share of the inheritance varies between a value of 1.0 (primogeniture) and a value of 0.5 (equal inheritance).

equal division is more prevalent in countries with lower degrees of freedom of testamentary succession (continental civil law systems) due to the dominance of the statutory succession regime. The principle of equal sharing and/or the primogeniture that mediates the social norm and the greater freedom of choice between them is more characteristic of countries with a high degree of testamentary freedom (common law systems).

The relationship between estate distribution patterns and taxation has also been examined by Menchik (1980). A progressive inheritance tax, a tax where the effective tax rate increases in proportion to the amount left to each heir. It encourages the testator to distribute the wealth equally among the heirs rather than to assert other personal preferences. In his view, the *rate* and nature of the *wealth tax*, whether proportional or progressive, is indifferent to the distribution of the estate. The division of property, the distribution of the estate, is determined by personal preferences and not by the rate of the wealth tax.

Menchik (1980) has also examined the impact of sharing patterns *on family firms*. The principle of equal sharing by gender generally applies to this set, although the overall level of inheritance inequality within the family is somewhat higher than in the full set, which includes all types of inheritance. In the succession of family businesses, the son is claimed to be preferred. In his study of family business inheritance patterns, he demonstrated that a son offspring is more likely to inherit a family business, even though total (all) wealth is inherited equally between the sexes and other offspring.

2.5.5.1. *International outlook and comparison*

In this subsection, I compare the institutional environment of transgenerational wealth transfer and the possibilities for generational wealth transfer between Hungary, the common law family and the Romano-Germanic (continental law) family of countries, drawing on the research of Ellul et al. (2010), Carney et al. (2014) and Zellweger (2017) (see Figure 34).

Figure 34: The relationship between succession law and family business in some countries. Main differences in inheritance law and institutions between some of the priority countries of the two legal systems and Hungary

Jurisdiction	Germany	France	Hong Kong	United States	Hungary
Legal origins	Continental law German civil code (BGB)	Continental law French civil code (Code Civil)	Common law	Common law	Continental law Hungarian civil code (újPtk)
Testamentary freedom	Restrictive	Restrictive	Unrestrictive	Unrestrictive	"Slightly" unrestrictive
Zellweger's degree of freedom of will	0,667	0,66	1,0	1,0	0,75
Entail	Limited	Prohibited	Prohibited	Perpetual trusts permitted	Prohibited
Estate tax burden	Low	High	None	Intermediate	None
Historical sociocultural inheritance preference	Male primogeniture	Male primogeniture	Equal inheritance among males	Mixed	Male primogeniture
Family firm longevity outcomes	Strong "Mittelstand" sector	Underdeveloped SME sector	Single-generation family firm and spontaneously regenerated SME	Professional management and asset stewardship	First generation SME

Source: based on Ellul et al. (2010), Carney et al. (2014), Zellweger (2017) own ed.

Germany

- 1.) *General description.* Germany has a strong SME sector (Mittelstand) dominated by medium-sized multi-generational family businesses.
- 2.) *Succession rules.* The provisions on inheritance (German Civil Code, BGB, 1896) institutionalise the sense of family, the family principle (Hegelian philosophy) (Beckert, 2004). They allow the family as a unit to become joint heirs of property (assets). The longevity and cohesiveness of Mittelstand family businesses foster the accumulation and preservation of tacit and intangible knowledge (tacit knowledge) and emotional capital (SEW).
- 3.) *Freedom to make a will.* Limited, the family is rigidly defined by the BGB on the basis of bloodline and legal (marital) relationships. Restricts freedom of testamentary disposition. Most property is subject to legal succession, including direct descendants, surviving spouse and parents. There is no trust in general, but there is a "special dichotomy" for German companies. In addition to the Mittelstand, the primogeniture of large German companies (ThyssenKrupp, Bosch, BMW, Siemens, etc.) is enforced by the legal institution of Fideikommiss (trust type). The fideikommiss can be placed on land and on capital assets of a significant size, where the size is determined by the state. The Fideikommiss gives the entire inheritance to the eldest son. This essentially places the assets in a perpetual trust and allows for the transfer of control to professional management. In contrast, medium-sized and small family firms, the Mittelstand, are not allowed to place capital in a trust and are governed by the provisions of the BGB, which stipulates that family ownership and direct participation in the family business should continue (Carney et al., 2014).
- 4.) *Inheritance taxes.* There is no wealth tax on inheritance, but there is inheritance tax.

France

- 1.) *General description.* The SME sector is missing. French industrial policy favours the development of large, state-supported enterprises.
- 2.) *Succession rules.* The rules of the French Civil Code (Code Civil) on inheritance create a so-called réserve for a certain portion of the property, which must be divided equally between the heirs (the Hungarian equivalent of the obligatory portion). Some exceptions are allowed, such as the attribution préférentielles, which in the case of an indivisible estate allows one heir to redeem the other heirs. For example, in the case of a family business, the heir pays compensation to the other heirs at law.
- 3.) *Freedom to make a will.* The Code Civil limits the freedom to make a will. It provides for legal succession, compulsory on the basis of the principle of equal succession. There is generally no administration of property (subject to strict limits) in French law. The French equivalent of the English common law trust institution is the fiducie, but this is used only for commercial transactions, although it has recently begun to be used for family property transfers (Sitkoff, 2013). The fiducie sui generis is not yet an instrument for generational wealth transfer, because it cannot override the rights granted to protected heirs in French law. In the absence of a trust, French families therefore set up a holding company system. They often create several tiers or pyramids, separating the cash flow and ownership of their businesses in order to protect the assets from the divide-and-conquer inheritance rules.
- 4.) *Inheritance taxes.* A progressive inheritance tax system is applied, making it difficult to maintain the viability and longevity of family firms (see Figure 33). The inheritance (wealth) tax is based on the full value (gross value) of the assets and is not deferrable (Carney et al., 2014).

Hong Kong

- 1.) *General description.* Characteristic of single-generation family businesses. Family firms are constantly being revived, but they also disappear very quickly due to social traditions.
- 2.) *Succession rules.* A combination of English customary law and Chinese law, according to which sons inherit equally among their children. Under Chinese custom, property is divided equally between the male descendants. The founders see themselves as a trustee who manages in advance the property owned by the sons' children (Wong, 1985, Carney et al., 2014).
- 3.) *Freedom to make a will.* Unrestricted testamentary freedom, which should be equal among sons combined with a social value system of inheritance, leads to a rapid disintegration of the family business due to multiple inheritance. Chinese customary law allows for the creation of a perpetual (everlasting) estate (tong). This is functionally equivalent to the feudal trust or modern-day perpetual trusts (Chung, 2010). The tong was used for collective family ownership, but was banned in the English colonial jurisdiction because of the general principle of customary law against perpetuity.
- 4.) *Inheritance taxes.* No inheritance tax (Carney et al., 2014).

United States of America

- 1.) *General description.* Inheritance law (inheritance rules, wills, taxation) at national and federal (Supreme Court) level. Inheritance rules in the Member States allow for unlimited testamentary dispositions. Trusts are widespread.
- 2.) *Succession rules.* Primarily state (Member State) level jurisdiction. Federal influence is exercised through inheritance taxes. Regulatory differences between Member States encourage the flow of wealth to the Member State with the more liberal rules, which necessarily contributes to the convergence of state level rules. Trusts have been institutionalised as a means of family wealth transfer and transgenerational wealth transfer. The laws governing trusts are the primary source of succession law.
- 3.) *Freedom to make a will.* Full testamentary leave, except for the duty of care for a widow. The role and spread of trusts in the preservation of family wealth has grown steadily (Friedman, 1964, Marcus, 1992, Carney et al., 2014). Dynastic trusts have emerged. The tax controversies of the 1980s (i.e., that dynastic trusts lead to tax avoidance and the introduction of the so-called generation-skipping transfer tax at the federal level) led to the rule against perpetuities (the maturity link of trusts) being removed by Member States. They allowed the creation of *perpetual trusts*, whereby trusts were made perpetual (Dukeminier & Krier, 2003). In substance, this was a return of the feudal entail-like institution to capitalist conditions.
- 4.) *Inheritance taxes.* Taxation at federal and member state level. The rate of wealth taxes varies from one Member State to another, inheritance taxes are linked to the taxation of wealth/assets. Although estates are taxable, the development of (trust) law allows settlors to roll over or avoid their tax obligations (perpetual trust) (Carney et al., 2014).

2.6. System of internal indicators

Internal indicators are specific variables related to or resulting from the structure and functioning of the family and the wealth (family business). They identify the alternatives to transgenerational wealth transfer that are available and realistically feasible in a given situation.

The internal variables are the factors linked to the family dimension - the relationship between the family members, the internal structure of the family, the personality of the family members - and the wealth dimension - composition, size, position in the business career, development. These determine the degree of independence from the incumbent, the degree of separation, the transgenerational transfer of wealth and the institutional form.

2.6.1. The incumbent's intention (will) and motivation

The incumbents' concept of inheritance is the basis for intergenerational wealth transfer. According to Hammond et al. (2016), the relationship of inheritance to its three components - biological (bloodlines, genes, name), material (family heritage, money, assets) and social (family values, attitudes, beliefs) - determines the form and content of wealth transfer. Family members' inheritance orientation may differ according to their perceptions of tradition, ability and preference (Carr et al., 2016). However, it is primarily the incumbent's perception of inheritance that determines whether the intangible component of wealth (tradition, social status) or the tangible elements of wealth (money, asset ownership) have priority in wealth transfer.

The incumbent's attitude towards succession and the choice of succession strategy may also be influenced by his or her confidence in generational change and concern about implementation. In their study, Minichilli et al. (2014) point out that for a family owner facing a change of leadership, not only securing financial returns but also *preserving social-emotional wealth (SEW)* is an important goal. They interpret this as a determinant that explains the choice of successor in the firm and the planning of the succession process. Any one of the three succession mechanisms in corporate governance - succession by successor-appointment, competition for internal successor candidates and involvement of an external manager - can balance the contradiction between SEW and the pursuit of financial performance. They believe that all three forms of succession have a positive impact on firm performance, but that excessive involvement of a family member in management (board) can undermine the firm's financial performance.

Parker (2016) argues that incumbency (parental) effort, induced by *dynastic and altruistic motives*, indirectly increases the likelihood that offspring will continue to run the family business in the future. Non-economic motives of the founders: altruistic and dynastic motives improve the economic performance of the family business. This in turn increases the value of the firm and *encourages* successors to take over the firm. It is also argued that dynastic motives influence *the rate of* investment in tangible and intangible assets. Intangible capital consists of tacit knowledge and idiosyncratic knowledge, knowledge of markets, the internal workings of the firm, and the network of relationships with customers, buyers and suppliers, local decision-makers and financiers. Founders with a dynastic motive choose the latter of the two types of investment in tangible and intangible assets. This is because they perceive that the value of intangible assets is more likely to be maintained if ownership and control of the firm is retained within the family. The firm will therefore be worth more as a family business than as a non-family business.

According to Blumentritt (2016), intergenerational wealth transfer is influenced by the *extent to which the incumbent trusts* that the offspring is able and willing to accept the family character of tangible and intangible wealth and the nature of the family wealth. His argument is based on the theory of planned behavior (Ajzen, 1991) to examine how the founder's actions influence the offspring's motivation and perceived abilities. Blumentritt argues that heirs' motivations and

abilities differ. The founder's belief in the heirs' motivation and abilities to successfully run the company determines the founder's efforts and investments. These in turn convince potential successors to take over the family business. Motivation is a continuous variable, and decision is a binary variable (Carr et al., 2016). If the founder succeeds in dissolving the indifference of his successors, and takes steps to facilitate the takeover of the firm, and his actions and investments meet the interests of his successors, the succession will be successful. The type and amount of founder effort and investment is what matters when conducting a successful wealth transfer (Blumentritt, 2016, Carr et al., 2016).

According to Gilding et al. (2015), there are two main *motivations for* incumbency. The desire to continue the family business across generations and the desire to maintain family harmony. The motivation is a combination of an economic understanding of utility maximization and a sociological approach that takes into account collective (family) interests (Gilding et al., 2015). By systematizing the two types of motivation according to intensity, he gives a *typology of* possible *motivations of* incumbency, with four possible outcomes related to intergenerational wealth transfer (see Figure 35).

Figure 35: Possible incumbent motivations and their output variables

Family Harmony	Strong	4. Weak continuity, Strong harmony <i>Individualization</i>	1. Strong continuity, Strong harmony <i>Institutionalization</i>
	Weak	2. Weak continuity, Weak harmony <i>Implosion</i>	3. Strong continuity, Weak harmony <i>Imposition</i>
		Weak	Strong
		Continuity of (motivation for) Family Business	

Source: own ed. based on Gilding et al. (2015)

- Incumbents in the first group *have a strong motivation* to continue and maintain family harmony, which leads to *the institutionalisation of* the family business. Their motivation can be asserted in two ways. (a) They set up institutions and introduce protocols. These may include family charters, constitutions, meetings, forums, councils and all institutions and protocols that are designed to strengthen the relationship between family members (Jaffe & Lane 2004). These are relationship charters, which provide a framework for the definition of common goals and lay down the characteristics and conditions for effective cooperation and family teamwork. (b) They professionalise the organisation and succession processes. This includes the development of strategy, the development of organisational and management processes and all the processes within the company that improve operations (Mazzola et al., 2008, Gilding et al., 2015).
- A group of incumbents with *little or no motivation* to continue the family business and maintain family harmony. According to Gilding et al. (2015), there are two behaviours in particular that undermine the desire for continuity and harmony. (a) The problem of letting go arises when the incumbent is unable to relinquish his position and power (Le Breton-Miller et al., 2004). (b) The incumbent is not supportive towards the offspring, seeing himself as an innovator and builder, not a teacher. Intergenerational knowledge

transfer fails, and their relationship becomes characterised by conflict and rivalry (De Massis et al., 2008, Handler, 1994). Succession to the family business and generational wealth transfer without active intervention is unrealistic. And weak motivation can lead to the collapse of the family business (Gilding et al., 2015).

- A group of incumbents with *strong motivation to continue the family business* but *weak motivation to maintain family harmony*. Strong motivation for generational wealth transfer, but with a chosen successor and a defined way of doing it. The patriarchal behaviour of the incumbent is more likely to induce compliance pressures from other family members than to promote family harmony. The phenomenon of primogeniture (the first-born son) or the different treatment of the sexes in the selection of offspring illustrates this situation. Incumbents assert their own will over family harmony and enforce an offspring agreement (Gilding et al., 2015).
- A group of people with *weak motivation to continue* entrepreneurship but *strong motivation to maintain family harmony*. According to Gilding et al. (2015), two phenomena shape this combination of motivations. (a) The increasing complexity of family businesses. As firms evolve, they now have complex organisational structures with diversified activities and ownership communities. Coordination is difficult to ensure and the creation of institutions (family council, holding structure, family office) (Jaffe & Lane 2004) can be a solution to hold the business together and maintain unity. (b) Increasing individualisation. With sociological evolution, parents no longer want to impose succession on their children. Gender differences are levelling out, women are more independent. Individual family members are less tolerant of those who control the family business (incumbents), and seek to assert their personal interests. Individualisation is on the increase, and behaviour is moving away from traditional conventional norms. The priority given to the pursuit of family harmony leads to the sale of the business or the sharing of wealth between the stakeholders.

2.6.2. Ability and skills of the successor

According to Carr et al. (2016), the *ability and commitment of* the receiving generation is a critical factor in the sustainability of economic and non-economic wealth transferred through generational wealth transfer. A successor is less likely to take over the management of a firm if he or she is uncertain about his or her ability to do the job well. Their will and willingness will also be stronger in other options where they are more easily acclimatised to the leadership role and have a lower risk of failure.

The willing successor problem is analysed by Parker (2016). Reciprocity, filial submission and family norms can sometimes be sufficient to turn offspring into willing successors. But often there is no reciprocity. The offspring does not necessarily want it or does not have the same ideas as the transferor. Parker (2016) argues that the problem of a willing successor can be solved if the incumbent adopts a tailored business strategy based on the resource-based approach (RBV) (Barney, 1991). Then the family firm is seen as a set of resources where it is difficult to copy or transfer them to third parties. As a consequence, it generates a sustainable competitive advantage. These are mainly the *intangible assets (capital)* accumulated in the firm, such as tacit knowledge, the relationship and network capital of the incumbents. He argues that if the dynastically motivated parent, interested in its survival, decides to invest in intangible capital as part of its business strategy, it will be able to continuously increase the value of the family business relative to the value of selling it to an external party. This increase in value in

turn encourages the successor to take over the business, solving the problem of the willing successor.

According to Parker (2016), *non-financial motivations*, incumbent altruism and dynastic preferences are the business strategy tools that attract the interest of successors to continue running the family firm. Financial incentives, direct financial payments to the successor, are an applicable tool, but once succession is achieved, they become ineffective because the successor becomes self-financing. *Altruism* is a distinguishing feature of family firms from other private companies operating in a closed-end structure, namely because of the incumbent's preference for the family member. The *dynastic preference* is the incumbent's desire to have offspring control and keep the firm in the family. The two incumbent preferences are not overlapping (for example, an altruistic parent cares about the financial well-being of his or her child but may be indifferent to whether or not he or she stays in the family business), but Parker (2016) finds that these preferences are positively correlated.

Effort is the third factor that Parker (2016) argues is inherent to family firms and should be exhibited by the successor in running the family firm after the transgenerational transfer of wealth. In his view, entrepreneurial effort in running a business is a factor of production. He sees ability as a complement (complementary) of effort (Chua et al., 2009, Parker 2016). According to him, if we accept the claim that the offspring of family firms are generally less able to run the business than the founders (Burkart et al., 2003), then the offspring will accordingly devote less effort to the family and the business. Chua et al. (2009) further investigated the relationship between effort and ability and found that a higher paid family manager with the same ability as a non-family manager of a family firm will not put additional effort into higher earnings. And the family manager with lower skills than the non-family manager will make even less effort to support the additional income due to altruism.

Blumentritt (2016) analyses *natural motivation* and *perceived ability* as conditions for successful succession and transgenerational wealth transfer related to the potential offspring. Motivation is a categorical and binary variable related to offspring behaviour (Ajzen, 1991), and expresses whether the potential offspring shows interest in joining the family business. Perceived ability is a continuous variable that represents the offspring's self-perception of whether he or she has the necessary skills to run the family business. Blumentritt (2016) defines four types of offspring as the intersection of the binary variable of motivational potential and the continuous variable of perceived ability (see Figure 36).

Figure 36: Cross-sections of offspring's natural motivation and perceived ability

Successor's Perceived Ability	High	On a Tangent	High Potential
	Low	Long Shot	Willing but Challenged
		Low	High
		Successor's Natural Motivation	

Source: based on Blumentritt (2016) own ed.

- The “*Long Shot*” are those who have the lowest probability of becoming a successor. These individuals have no natural motivation to join the family business. Nor do they believe in their ability to become managers. This situation may arise from the fact that the person has a different career vision or no orientation at all to continue in the family business. It can also be caused by irrational self-esteem or lack of self-confidence (Blumentritt, 2016).
- “*On a Tangents*” are persons who have the capacity to become successors to the business, but whose interests lie outside the family business. Joining the family business is only one of the career options available. Other alternative career options are open to the descendant.
- *Willing but challenging* individuals are those who are interested and highly motivated to join the family business, but are unsure whether they will be able to complete the tasks. There are several reasons for avoiding succession. Lack of confidence in their ability to cope with the burden of running a business. Insecurity may also be due to factors outside the individual, where other family members or external managers consider that another person is better suited to run the company.
- *Those with high potential* are those who have a natural talent, ability and natural motivation, showing an interest in running the family business. However, these offspring also have other alternative career paths where they can pursue activities similar to the family business according to their skills (Blumentritt, 2016).

According to Blumentritt (2016), the founder's actions can influence the motivation of the offspring and can also affect their perceived abilities. Complementing Parker's (2016) thesis on the willing successor problem of the offspring, he argues that targeted actions can affect motivation and perceived ability. The effect is proportional to the scope and scale of the founder measure. Founder-targeted action can align the financial and professional interests of the successor with the interests of the family business. The measure must be targeted at the successor and sufficiently personal to change his perceived ability to manage the family business. In my view, the founder may also have at his or her disposal the means and institutions to replace the successor's temporary or permanent lack of motivation and perceived ability.

2.6.3. Family traditions

Bertrand & Schoar (2006) investigated the relationship between *family norms* and *family values* and traditions and the economic performance of firms. They find that family firms have traditions and resources that give them the following *comparative advantages*.

- *The long-term vision* of the family business. Family-run firms take a longer-term view of management, as opposed to the short-term view of non-family-run managers. Family firms focus on investment opportunities that maximise long-term returns, with the present generation providing patient capital for future generations in the firm.
- *Trust* between family members is the key to the success of family businesses, because trust can replace missing management functions and the enforcement and enforcement of contracts.
- The *human and financial capital base* is a readily available resource that is particularly valuable when external resources (talent attraction, funding) are limited.
- *Relationship capital and cooperation* can be particularly beneficial in economies with high levels of corruption. The relationship can take many forms (subsidised lending, public procurement, public subsidies, etc.).

According to Bertrand & Schoar (2006), family firms also have family traditions that have no economic impact. Incumbents may also consider non-economic preferences when maximizing utility. This can lead to *an inefficiency bias in family values*, because it makes decisions that are suboptimal for the firm. Such decisions may include nepotism, family perceptions of inheritance and inheritance norms (primogeniture).

Bertrand & Schoar (2006) argue that family traditions *adapt* to economic development and institutional change. As the economy develops, family values weaken. In their research they investigated how quickly family values (traditions) respond to economic change. They examined family value along five dimensions: (1) respect for parents, (2) the parent's duty of care to the child, (3) the child's obedience, (4) the child's independence, and (5) changes in trust. Their study compared the two periods 1980-2000 and 1990-2000 based on a sample of nineteen countries (See Figure 37).

Figure 37: Changes in family values

Panel "A": Time horizon 1980-2000			
	All countries	Fast growing countries	Slow growing countries
Mean Family Values: 1980			
Respect for parents	.68 (.15)	.69 (.14)	.66 (.17)
Parental duty to child	.72 (.11)	.75 (.10)	.69 (.12)
Obedience of child	.24 (.10)	.24 (.10)	.24 (.11)
Independence of child	.31 (.13)	.31 (.09)	.31 (.16)
Trust	.38 (.11)	.40 (.05)	.36 (.15)
Mean Family Values: 2000			
Respect for parents	.73 (.16)	.72 (.17)	.73 (.16)
Parental duty to child	.71 (.11)	.70 (.15)	.72 (.07)
Obedience of child	.32 (.15)	.32 (.17)	.32 (.14)
Independence of child	.57 (.16)	.61 (.14)	.53 (.18)
Trust	.36 (.16)	.36 (.12)	.37 (.20)
Panel "B": Time horizon 1990-2000			
	All countries	Fast growing countries	Slow growing countries
Mean Family Values: 1990			
Respect for parents	.74 (.14)	.74 (.15)	.73 (.14)
(Un)importance of family	1.18 (.09)	1.19 (.12)	1.17 (.04)
Parental duty to child	.76 (.11)	.76 (.12)	.76 (.09)
Obedience of child	.34 (.15)	.34 (.14)	.34 (.16)
Independence of child	.44 (.21)	.46 (.20)	.43 (.23)
Trust	.38 (.15)	.39 (.16)	.37 (.14)
Mean Family Values: 2000			
Respect for parents	.76 (.15)	.81 (.17)	.73 (.13)
(Un)importance of family	1.13 (.08)	1.13 (.11)	1.13 (.05)
Parental duty to child	.72 (.11)	.74 (.11)	.70 (.10)
Obedience of child	.33 (.15)	.36 (.16)	.30 (.15)
Independence of child	.53 (.19)	.53 (.19)	.53 (.19)
Trust	.33 (.16)	.34 (.18)	.32 (.16)

Source: based on Bertrand & Schoar (2006) own ed.

Their analysis concludes that intergenerational family traditions are stable in the short and medium term, even in fast-growing countries. They find that family values *do not change rapidly* in response to economic change. They are relatively stable in the short and medium term, although they may vary according to social systems. However, this does not exclude the possibility that family values may change in the sufficiently long term, in particular as economic systems change in structure/shape.

2.6.4. Divisibility and asset mix

The family business owner has economic and non-economic assets. The economic wealth is most often in the form of the business (family business or portfolio of businesses), but may be outside the business/business portfolio. The non-economic assets of the family member owner are his family and personal values, knowledge, network system, which may be linked to the family business (within the business) but may also appear independently, outside the business (see also chapter 2.1.3 and figure 12).

Only in exceptional cases can a proportionate division of wealth (estates) be equated with a proportionate division of assets, which implies that (1) wealth (estates) cannot necessarily be divided proportionally and (2) the possibilities for dividing wealth (estates) without physical harm are determined by the composition of the assets. Intra-enterprise non-economic assets (intangible and tangible) cannot be distributed, but can only be transferred to the next generation or to designated persons. The transfer of non-economic wealth is based on the socio-emotional wealth (SEW) theory. According to SEW theory, a social and emotional capital (Gómez-Mejía et. al., 2007, Berrone et al., 2012), which represents intangible wealth that is at least as important and at least as significant as the transfer of material wealth, gradually accumulates in family businesses over time and as they develop (Hajdu, 2022).

The succession of family businesses and generational wealth transfer involves the transfer of economic and non-economic assets by the incumbents. The problem is twofold: (1) there are assets *that can be divided but cannot be transferred once divided*, and (2) there are assets *that cannot be divided but can only be transferred*. The former group includes assets of the family business that can in principle be divided but cannot in fact be divided. The business as a whole can only be transferred or the shareholdings that make up its assets can only be formally divided in the probate procedure⁵⁷. The second group includes cases where the experience and tacit knowledge of the business can only be transferred but not divided between family members. According to Carney et. al. (2014), wealth consisting entirely of financial assets is fungible (can be replaced) because assets can be divided and inherited. Physical assets such as land, buildings and machinery, on the other hand, can be inherited but are less divisible without losing their use value⁵⁸. Intangible assets such as reputation, social capital and tacit knowledge are indivisible and imperfectly inheritable⁵⁹.

The nature and composition of the assets of the business determine its divisibility and inheritability, and thus the method of succession and transfer of assets. According to Gedajlovic & Carney (2010), in family businesses there exists a *generic and non-marketable group of assets* (generic non-tradeable, GNTs) that are firm-specific but of general application. They derive their statement from transaction cost theory. They apply transaction cost theory⁶⁰ to family firms and identify asset classes that *are specific to family firms*, but have alternative uses. According to Williamson (1998), "assuming the bounded rationality and opportunism of the parties involved in the transaction" (Mátyás, 1996, p. 620), two types of transactions are distinguished: (1) transactions involving general capital goods and (2) transactions involving

⁵⁷ The division-division of the assets of the company would mean the liquidation of the company.

⁵⁸ For example, shared land holdings may lose value due to a change in economies of scale.

⁵⁹ For example, an entrepreneur's reputation for credibility cannot be shared, and it may not be inherited by all members of the next generation.

⁶⁰ The concept of "transaction costs was introduced into the economics literature by Coase (1937)", the precise definition was given by North and Wallis (1994), who stated that "...transaction costs are the costs of land, labour, capital and entrepreneurial skill required to transfer property rights from one person to another" (Mátyás, 1996).

specific capital goods. According to Gedajlovic & Carney (2010), Williamson and his followers axiomatically argue that specific asset activities are best coordinated through governance hierarchies, while general and reallocable assets are coordinated through market transactions between independent actors. They argue that assets can be further broken down by compositional criteria. In addition to the Williamson (firm)-specific asset and general asset distinction, assets should also be distinguished according to the criterion of *marketability* (marketable - non-marketable). On this basis, there are four possible types of assets and the related form of corporate governance (see Figure 38)

Figure 38: Asset types and forms of enterprise governance

Non-tradeable Assets	(1)	(3) Family Firms
Tradeable Assets	(2)	(4)
	Firm-Specific Assets	Generic Assets

Source: based on Gedajlovic & Carney (2010) own ed.

- *Firm-specific and non-tradeable* assets, transactions involving Williamson-specific capital goods, characterised by hierarchical governance (monopolistic contractual mechanisms). An example is the assets and know-how of a supplier of specialised machinery and know-how for the production of hydroelectric turbines.
- *General (non-firm-specific) and tradeable* assets, transactions involving Williamson's general capital goods, regulated by the market under the constrained rationality and opportunism of the agents. This could be, for example, the machinery of a manufacturing firm that does not require specialised machinery or know-how.
- *Firm-specific and tradeable* assets, according to Gedajlovic & Carney (2010), are typically assets (products) created by venture capitalists, such as high-tech start-ups that are deliberately and specifically created to create and sell specific assets (platforms, software).
- *General and non-tradeable* assets and the related form of management is the family business. Gedajlovic & Carney (2010) argue that general assets, as the opposite of specific assets, are not explicitly defined in transaction cost theory⁶¹. According to them, assets that can be used with similar efficiency in alternative ways, but are difficult to trade, are a group of generic non-tradeable (GNTs). Genericity is interpreted to mean that assets can be used several times and in several places over time. Non-tradeability means that the asset needs to be (up)developed and maintained. The asset must be exploited by its developer because it is difficult or impossible to buy or sell it on the market (Gedajlovic & Carney, 2010).

⁶¹ Gedajlovic & Carney (2010) argue that "just because an asset is generic in the sense that it can be used effectively for a variety of tasks does not necessarily mean that it cannot also be firm-specific in the sense that it is inextricably linked to a firm and has limited marketability" (Gedajlovic & Carney, 2010, p. 1148).

Gedajlovic & Carney (2010) identify four *categories of general and non-tradeable intangible assets* for family businesses.

- *Bonding social capital*, which refers to the cohesiveness of a community or of relationships within a community. It is an informal network channel between actors that reduces transaction costs associated with searching, checking and contracting, and also reduces the risk of opportunistic behaviour. The relational power of social capital is linked to a given network and creates opportunities for the enterprise to use it for a wide range of business (as a multiple alternative). It is not tradable because the binding power of capital is inherent in the relationships and is not owned by any single actor. It cannot even be purchased by those outside the network of relationships (Gedajlovic & Carney, 2010).
- *The bridging social capital* refers to the mediation or linking of processes between independent groups and people, inter-group contact capital. According to Gedajlovic & Carney (2010), bridging capital arises from the ability of individuals to mediate between persons and the various relationships through which they have the opportunity to draw on the financial and human resources of others. Examples include obtaining licences that are not available to all, circumventing regulatory barriers or exploiting political connections. Although bridging social capital has/can have a general value (alternative uses), it is not marketable because no single actor has exclusive rights. If the partner, the actor on the other side of the relationship, withdraws, the relationship dissolves, it is terminated.
- *Reputation* is a valuable and generic as well as non-tradeable resource (linked to the actor) that provides an advantage in the market. Reputation is an intangible resource that contributes to business success and has a high replacement (re-creation) cost. It depends on the perceptions of others and is built up over a long period of time through planned and unplanned interactions.
- *Tacit knowledge* can be general and valuable for the family business. It is difficult or impossible to reproduce and is not tradeable and cannot be transferred to another party. It may take the form of specific and firm-specific knowledge (e.g. long-established production knowledge within the firm) or general knowledge (e.g. general methods of identifying business opportunities, recruiting staff, building customer relationships, etc.).

According to Gedajlovic & Carney (2010), the family business as an organisational-governance formation (characterised by thrift, parsimony, particularism and personalism) benefits from maintaining, developing and exploiting the value of general and non-tradeable assets (GNTs). They argue that (1) compared to other firms operating in similar environments, family firms develop and *exploit to a greater extent* the binding and bridging power of social capital, reputation and the general form of tacit knowledge; (2) family firms will be the *dominant form of entrepreneurship* in industrial and institutional environments where the binding and bridging power of social capital, reputation and the general form of tacit knowledge are highly valued.

2.6.5. Altruism and nepotism

Altruism in economics is the preference that an agent derives utility or happiness from the utility of others. Altruists are willing to help others at their personal expense without any tangible benefit (Becker, 1981, Parker, 2016). The altruism is a distinguishing feature for family firms

from other private firms⁶², obligation to the family business (Parker, 2016, Schulze et al., 2001, 2003, Lubatkin et al., 2005, 2007).

According to Schulze et al. (2001, 2003), altruism in family firms exacerbates the *agency problem* even more in comparison to privately held, owner-managed firms. Closed-form firms have higher agency costs compared to publicly held firms, and *family-owned closed-form firms* have higher agency costs than non-family-owned closed-form firms. These agency costs arise due to the employment of agents with lower skills and the higher risks and control costs associated with a closed ownership structure (Schulze et al., 2001). The agent model of Jensen & Meckling (1976) assumes by default that the separation of ownership and control is the main source of agent costs in firms and that these costs disappear when the firm is controlled by a single owner (Fama & Jensen 1983a). However, according to Schulze et al. (2001), *non-economic* priorities in closed family firms may be problematic in addition to economic priorities. They create agency costs because, on the one hand, non-economic preferences cannot be measured as ordinary commodities (they cannot be monetized and compared). On the other hand, non-economic preferences can lead owners to take actions that may lead to a conflict of economic interest (e.g. an irrational owner vetoing a business contract). It reduces the likelihood of involving an external manager (agent) and exacerbates self-control problems.

Altruism has its advantages (long-term commitment, loyalty) but also *its downsides*, which can be dangerous (Schulze et al., 2001). It can create the problem of moral hazard (soft budget constraints, cost insensitivity) and free-ride, the problem of unrestrained and uncontrolled spending and costs. It may encourage actions that may endanger the well-being of the family and the firm⁶³ According to Lubatkin et al. (2005, 2007), family-oriented altruism of the family business owner weakens his/her self-control, thus making the family business an agency problem, and altruism leads to a decrease in the *efficiency of the management of the firm*. The agency problems associated with closed-loop operation and the owner-manager dimension, as well as altruism, threaten the performance of family-owned firms (Schulze et al., 2001, 2003) and may lead to nepotism.

Lubatkin et al. (2007) examine different types of *parental altruism* and provide archetypes and typologies of parental altruism. They define forms of altruism through the incorporation of the interests of others into individuals' decisions and the forms of altruism based on the "selfother" connectedness and intensity. They argue that different parental altruisms - trust-based, ideal-type, family-oriented, paternalistic, psychosocial - have different effects on family firm management. They argue that altruism is *primarily* present in *parent-owner type* family firms. In the parent-owner type of firm, ownership and management are in the hands of a family unit, which is concentrated in the hands of a single principal within the family unit, who is both the head of the family and the manager. The agency cost in the Jensen & Meckling (1976) model of agency arises from information asymmetry and is related to the cost of management, running the administration, control, monitoring and all mechanisms aimed at reducing the agency threat. According to Lubatkin et al. (2007), parent-owner type family firms are effective in minimizing information asymmetries and aligning the interests of managers, and thus are generally able to reduce the agent threat without incurring high governance costs. With multiple generational changes in the family firm, as the parent-owner state is distanced, altruistic characteristics

⁶² The altruistic helping of others at one's own expense without any tangible benefit to the individual (altruism) is a specific phenomenon of family firms, which distinguishes them from other private companies operating in a private capacity.

⁶³ A typical family firm, for example, provides family members with a stable job and benefits and privileges that they would not otherwise get elsewhere.

weaken and disappear (Lubatkin et al., 2005). In the case of sibling relationships, altruism is exercised by each sibling towards his or her own family. This may lead to conflicts between siblings and may create agency problems between siblings. In a cousin consortium, altruism disappears. Due to the formal decisions and corporate structures associated with firm growth and survival (generational change), cousin consortia may already lose the altruistic characteristics that theoretically distinguish family firms from other firms (Lubatkin et al., 2005).

Carr et al. (2016) draw attention to the dangers of *excessive altruism*, which they argue can paradoxically produce effects in the parent-owner state that are counter to the parent's intentions. It will trigger the opposite effect in the heirs and lead to the avoidance behaviour of the offspring or to the sale of the firm after the opening of the inheritance. Altruism will motivate the founder to further increase the value of the family firm through his investment. According to James (1999), if an owner-manager who employs family members overinvests in order to involve the family member in the business, he or she will react differently to changes in market signals than managers of profit-maximizing firms. Excessive altruism can destroy the family business (goodwill).

In the case of family businesses, *nepotism* is the default state, i.e. the descendant is the intended successor to the business. According to Jaskiewicz et al. (2013), nepotism is the owner-manager's preference to hire family members instead of unrelated job applicants, essentially a labor selection mechanism in family firms. The purpose of nepotism is to perpetuate family involvement over time and across generations, to promote generational change, and to promote the family's economic and non-economic goals (Chrisman et al., 2003, 2012, Le Breton-Miller, & Miller 2006). Because nepotism discriminates against non-family members, it can also be a disadvantage for the family firm (Lee et. al., 1985, Jaskiewicz et al., 2013)

According to Schulze et al. (2001, 2003), in the case of family firms' closed operation and identity of owner-manager positions, altruism can jeopardize firm performance and altruism can lead to nepotism. In contrast, the stewardship theory approach argues that continued family presence and ownership can enhance family firm performance (Anderson, & Reeb, 2003, Miller, & Le Breton-Miller, 2006). In their model, Jaskiewicz et. al. (2013) combined the two, examining why some family firms can benefit from nepotism while others cannot.

According to Jaskiewicz et al. (2013), decisions about nepotism can be *asymmetric* even among family members. They may favour some family members and ignore others. The reasons for nepotism, prioritized selection, may be asymmetric altruistic behavior, biological, familial or cultural, and may be completely independent of the ability of the selected family member. Selection criteria may be the nature of the relationships between family members and family circumstances. Two types of nepotism are identified.

(a) *Entitlement (birth) nepotism* is selection based only on family ties, but without taking into account family circumstances (situation, ability). It can be based on family or cultural traditions. It is deeply entrenched and can be damaging to firms. Selection has altruistic characteristics, because the parent is less critical of the selected activity and the parent-child relationship gives the child a strong sense of entitlement. A typical example of entitlement nepotism is primogeniture, the uncontrolled selection of a first-born male child (Jaskiewicz et al., 2013).

(b) *Reciprocal (mutual) nepotism* is based on careful selection and mutual trust. Reciprocal nepotism is selection based on family circumstances, interdependence of family members and

cultural norms. The selected family member becomes beholden to the family member who selects him. This symbolic reciprocal behaviour, based on trust, is the key factor in the maintenance of socio-social relations. The basis of this behaviour is psychosocial altruism between family members (Lubatkin et al., 2007). The reciprocal social-social relationship is expressed by the "want to" motivation of actions rather than the "have to" compulsion (Jaskiewicz et al., 2013). In reciprocity, the relationship of one actor (the principal) with the other actor (the principal) is based on trust, where trust is based on the principal's confidence in the principal's abilities, goodwill and integrity (Mayer et al., 1995, Jaskiewicz et al., 2013). Reciprocal nepotism explains the greater benevolence in management between family members compared to non-family managers. Relationships between family members and the family bond require mutual benevolence and trust because of the underlying expectations of reciprocity. In turn, the exchange and reciprocity between family members is a family social capital that is of value to the family and can also be a means of transferring tacit knowledge (Jaskiewicz et al., 2013).

2.6.6. Level of professionalisation

Professionalisation is a multidimensional phenomenon (Stewart & Hitt, 2012), whose components have separate effects on firm performance. Moving forward along the evolutionary life curve - stages of founder, sibling and cousin ownership and management (Gersick et al., 1999) - the family business must become increasingly professionalised and behave as a non-family business. Professionalisation means (1) the involvement of an external, non-family managerial layer with decision-making power (Dyer, 1989; Klein & Bell, 2007; Chittoor & Das, 2007), but also (2) the development of the organisation and its operational processes. It also involves the establishment of corporate governance systems (decision-making levels, boards), (3) the development of formal financial management and control systems, (4) the development of human resources, training of employees and successor generations. Professionalisation is a process that gradually transforms the enterprise. The involvement of non-family managers leads to the emergence of new organisational and decision-making structures that take formalised information into account in their decisions (Kellermanns, 2005) and implies the need to develop financial, accounting and controlling information systems (Kellermanns, 2005, Giovannoni et al., 2011).

A necessary condition for a transgenerational transfer of wealth is the professionalisation of the company. In the case of a transgenerational transfer of wealth, the family and family members gradually move away from the company as the generation changes. The role of the family member shifts from direct personal involvement in the management of the company by the founding owner to indirect, multiple control. However, the management of several family members (community of brothers and sisters, consortium of cousins) can now be carried out effectively through bodies (board of directors, supervisory board), which entails a professionalisation of the organisation.

2.6.7. Degree of family embeddedness

According to Wiklund et al. (2013), there are differences in the extent to which entrepreneurship is embedded in the family due to the different nature of families. The extent to which actors are embedded in the family, the *structural cohesion* between family members, and the degree of belonging and connectedness are important for understanding the choice between internal and external ownership change. In their view, the choice *depends on the structure of the owning family and the involvement of the family* because, on the one hand, the succession of the family

business is primarily a matter of a change in ownership structure and not of management succession. On the other hand, in the case of a family business, the family and the business are intertwined and the business is embedded in the family (at least in the early stages of the family business life cycle). Thirdly, family variables, family structure and the nature and extent of family members' involvement in the business influence the incumbent's choice.

According to Wiklund et al. (2013), the *determinants* of the structural cohesion of the owning family, the *embeddedness*, are the number of potential heirs, the ownership structure of the family, intergenerational ownership and the internally selected family head of the firm. They are also relevant indicators of internal or external ownership change, of transgenerational wealth transfer. The *degree of embeddedness is determined by* the dispersion of ownership, the presence and number of young and adult family members in and out of ownership, the generations ownership involvement, the existence of a family manager of the firm. These factors play a role in the choice of strategy for wealth transfer (succession).

According to Wiklund et al. (2013), the degree of embeddedness of the owning family is determined by the following factors and thus influences the direction and form of transgenerational wealth transfer.

- *Ownership distribution.* They believe that the fragmentation of family property will reduce the likelihood of intra-family succession and wealth transfer. As the family grows, the number of owners increases and ownership shares decrease. As the number of family members increases, direct personal ties are loosened, reducing family cohesion. Ownership fragmentation impairs information flows and leads to counterproductivity. And high levels of ownership fragmentation reduce the likelihood of succession within the family.
- *Number and age of potential offspring.* An increase in the number of potential heirs reduces the strength of family cohesion and the probability of succession within the family. Wiklund et al. (2013) propose two hypotheses regarding the number of children and potential heirs within the family at adulthood. One of their claims is that the larger the *number of young children* who can become potential heirs, the higher the probability of succession within the family. Young heirs will tend to adopt their parents' priorities and to protect the family's emotional and feeling commitment (SEW) to the firm (Gómez-Mejía et al., 2007, Berrone et al., 2012) through an internal change of ownership. Incumbency helps the development of family cohesion and the deepening of embeddedness through supportive institutions (family council, family constitution). Another claim relates to the proportion of *offspring of adult age*. The higher the proportion of adult offspring, the lower the likelihood of succession within the family compared to external succession. Adult family members may already have a career plan inside or outside the family business, and typically have their own and independent ideas about the firm. If the number of adult successors is high, the degree of family embeddedness and commitment to sharing family values is lower, and it is much more difficult to apply formal family governance practices (family constitution, family council, etc.).
- In the case of *multigenerational ownership*, the probability of succession within the family is high. The co-existence of generations provides an opportunity to transfer tacit knowledge and business culture. The combined involvement of several generations in the operation of the firm develops family ties and cohesion, leading to a more intense embedding of the family in the firm.
- By appointing *non-family managers*, Wiklund et al. (2013) find that the probability of succession within the family is lower compared to succession outside the family. The

selection of a firm leader from among family members is a message of commitment to succession. Hiring an external firm leader indicates the lack of a suitable firm leader within the family. The relationship between family members may be characterised by poor cohesion and disagreements, and the appointment of an external manager may be seen as the only viable option for the proper management of the firm. The appointment of an external manager is usually the first sign that the family's influence on the firm is declining (Wiklund et al., 2013).

2.6.8. Idiosyncratic (uniqueness) characteristics

According to Williamson (1979), family businesses are often highly idiosyncratic (unique) because the transaction costs of the parties to the contract can vary considerably. According to Lee et al. (2003), unlike other firms, family firms generally *lack the institutionalization of* firm-specific business knowledge. Idiosyncraticity is associated with the individual rather than the firm as a whole. Individuality is the person's business knowledge and skills, the primary source of which is *knowledge acquired through experience*. This knowledge is typically accumulated only by family members and trusted agents (company managers). The profitability of family businesses therefore often depends on the specific knowledge of the managers of the business. Such specific knowledge or assets include personal business contacts and networks, the ability to cooperate with the firm's employees, knowledge of local conditions. *Personal relationships* usually cover the long-term network of relationships with trusted employees, customers, suppliers, financiers, politicians, auditors, and this personal network of relationships can be the main assets of entrepreneurs and pillars of their comparative advantage (Brüderl, & Preisendörfer, 1998). For this reason, it is important that the designated successor acquires this unique knowledge, even if it is by gaining direct work experience in all major departments of the firm as any other employee (Lee et al, 2003).

The idiosyncratic family business is characterised by the fact that both the agent (the manager) and the family owners of the business seek to maximise their income, where the family's profit is the profit of the business less the benefits paid to the agent (Lee et al., 2003). Transaction cost theory suggests that transaction costs vary with the degree of asset specificity, uncertainty, and the frequency of transactions (Williamson, 1985). And since family businesses are typically unique, and the degree of specificity depends on accumulated business experience, *uniqueness* represents *a significant transaction cost*. This, combined with the ability of the successor, determines the success of succession and generational wealth transfer. The idiosyncratic characteristics in the process of succession and generational wealth transfer can have multiple effects and represent different resource inputs and transaction costs for the family business.

According to Lee et al. (2003), a family will be willing to pay an additional cost, i.e., an executive bonus, if the incumbent agent has unique knowledge that enhances firm performance. If this knowledge is not important to the family, it will be willing to replace it with a new agent. They argue that the family is even willing to hire and reward *an agent with inferior skills* if the agent has *specific knowledge of* the business and operations of the firm. This opportunity cost approach of the family explains why families are willing to retain agents with inferior skills in senior positions. Over time, the agent's accumulated business knowledge of the family business puts him *in a more bargaining position*, and he will be able to command an increasingly higher compensation (premium) in proportion to his knowledge. For the family, there is a risk in bringing in a new external agent as long as the incumbent agent, even if of low skill, has specific knowledge of the business of the enterprise.

According to Lee et al. (2003), the *paradoxical agent situation* arises when the family firm's business requires significant unique (idiosyncratic) knowledge. If the family hires an agent to manage its business, the profitability of the business may increase, but the risk of hiring an agent increases as the agent's skills increase. The family can only partially benefit from the accumulation of the agent's unique knowledge and skills, and the extent of this will depend on the bargaining power of the family vis-à-vis the agent. Conversely, if the business is entrusted to a low-skilled agent, profitability may decline. Lee et al. (2003) argue that the paradoxical agent position of these contradictions - the risk of bringing in high ability agents and the profitability risk of bringing in low ability outside agents - explains the reluctance on the part of the family to appoint agents to key management positions.

Because of the paradoxical agency situation, it becomes a rational decision for family businesses to appoint successors as managers, even if the successor is less competent than an outside agent. However, according to Lee et al. (2003), there are two cases where the family prefers to choose an outside agent.

- Families prefer to have the business run by an agent when the uniqueness of the business is low. Specific skills are not necessary to sustain the business and successors are weak or low-skilled.
- The other case is what Lee et al. (2003) call in their analysis the *succession dilemma*. This situation arises when the family business is characterised by a high degree of uniqueness and specific knowledge, but the successor is so underqualified and unfit to lead that it would be fatal. His appointment would jeopardise the effectiveness and survival of the business. According to Lee et al. (2003), the succession dilemma can be solved by the family *through* the so-called *seat-warmer strategy*. In this case, the family temporarily (for a limited period of time) employs an external agent (manager), whose place is taken by a suitable successor as soon as he or she becomes available. Until the suitable successor is available, the temporary agent will accumulate specific knowledge and expertise about the family business. He therefore demands compensation (a premium) and puts himself in a bargaining position vis-à-vis the family, which puts the family at risk. As soon as a suitable successor to lead the family grows up, the warming-up strategy is fulfilled, and the succession dilemma is resolved because the suitable family successor takes over the management of the business. The successor becomes the internal agent (manager) appointed from within the family. The seat-warmer strategy is valid as long as the successor does not acquire competence, or even when the successors suffer from a persistent lack of competence or will.

2.6.9. The internal structure of the family

The governance structure of a family business is complex, with *separate* governance structures operating in each of its three sub-systems - family, company, property (ownership). They are in continuous iteration with each other and together they ensure the systemic functioning of family governance. The family governance structure within each subsystem has a different function and mission. It can be a governance structure embedded in corporate governance, such as the board and management structure. A governance structure linked to property (ownership) is the family office and separate asset management formations. The governance structures related to the family's operations are the internal structural operational formations of the family. Succession, the transgenerational transfer of wealth, affects the whole complex system of governance structures, because a change in any one sub-structure affects or triggers changes in the other sub-structures. The ex ante family governance structure prior to the transfer of wealth

has an influence on the succession possibilities of the family business and the time needed to actually carry out the succession. The design and implementation of a new family operational set-up well in advance of the transfer date will make the actual transfer (succession) faster and smoother. If the founder-owner starts to develop and implement the family constitution and family institutions during his or her active period, this can make the subsequent transfer of assets more efficient.

Family governance is defined by Suess (2014) as the voluntary mechanisms created by the entrepreneurial family to regulate and strengthen the relationships between the family and the business and between family members. It is characterised by its voluntary nature because it is not legally enforceable or binding. Its content and framework can be freely defined and changed. It depends on family traditions, values, the nature of the business and the activities of the family business (Suess, 2014)

Transgenerational wealth transfer and the survival of the family business, as Suess (2014) understands it, have a double condition: a successful business and the functioning of the family. According to him, family structure and governance are not only a *condition for* business performance and wealth preservation, but also for family functioning. Its absence leads to intra-family conflicts (Kubíček & Machek, 2020), which, if left unmanaged, can lead to the destruction of the firm, and therefore it is equally necessary to pay attention to the management of the family as to the management of the firm.

The internal functioning of the family is determined by the governance structures (institutions) used. The *family governance structure* used depends on the position of the firm in the corporate life course and the family on the developmental axis (Gersick et al., 1997). From the founder-owner-manager stage, moving towards the sibling and cousin consortium, the multiplicity of family members changes and the need for formalised family governance structures (institutions) is established and applied. The sense of emotional belonging in the founder stage is intense, which in the sibling community or cousin consortium is attenuated (Suess, 2014). The increase in the number of family owners, especially the emergence of passive (disinterested) owners, results in the family owner losing his/her emotional attachment and interest in the business. There is an increase in the number of owners who wish to sell their stake, which can lead to a loss of family control and, in the long term, to a loss of control. The internal structure of the family may be:

- An operational (governance) structure *without an established institutional system*. Family functioning is driven by personal relationships. It is characterised the founding stage in the development of family businesses when the founder is the same person as the owner-manager.
- An operational (governance) structure *with established institutions*. Formal institutions determine the functioning of the family. Institutions vary in their content (what they regulate) and in their operational functioning (Suess, 2004). The *family meeting* is a regular gathering of family members to discuss business and family issues. The simplest and most common form of operation. The *family council* may be a group of family members and may consist of members of several family branches or generations. It is a formalised institution, articulating family values and the family's needs and expectations of the business. It is a safeguard for the long-term interests of the firm (Suess, 2014). The *family constitution* is a set of norms for family behaviour, standards of conduct and family values. It defines the principles of cooperation between family and business. It provides guidelines for the

management of assets. It sets out the family and business values to be followed and the conditions for sustainability. It provides guidelines for management and operation.

Family business brings with it the potential for intra-group conflict due to the personal involvement and the increase in the number of family owners (Kubíček & Machek, 2020). All three types of intra-group conflict - relational, task and process conflict (Jehn & Bendersky, 2003) - are present in family businesses, but due to the overlap between family and business, they need to be examined in terms of their impact on the business according to Kubíček & Machek (2020). A specific conflict in family businesses is intra-family agency conflict. Intra-family principal-principal conflict (Schulze et al., 2001, Zellweger & Kammerlander, 2015) typically occurs in the presence of a passive family member owner. Looking at the relationship between family member owners from a stewardship theory and social-emotional wealth (SEW) rather than rational behaviour approach can lead to even more conflict (Kubíček & Machek, 2020). According to Kellermanns & Eddleston (2004, 2007), conflicts are not isolated from each other, they have cross impact and each type of conflict is constantly iterating with each other. For example, relational conflict can interfere with task performance because a family member focuses on competing with another family member instead of solving the task. Family governance structures are suitable for dealing with these situations, according to Suess (2014), because they contain formalized rules for managing conflict and for the behavior of individuals. The use of family governance structures not only helps the long-term survival of the business, but also has a positive impact on the family through increased family functionality.

2.6.10. Transferability

According to the resource-based approach (RBV), the transferability of resources and capabilities is a critical condition for sustainable comparative competitive advantage (Barney, 1986). According to Grant (1996), knowledge is a resource whose transferability is of paramount importance for the sustainability of a company. Knowledge and its transferability are prerequisites for the transgenerational transfer of wealth in family firms. The predominance of tacit knowledge varies across the stages of the life-cycle of family businesses, with the early stages being dominant. *The ability to transfer it* is a critical factor in the applicability of the wealth management form of transgenerational wealth transfer.

In Grant's (1996) conceptualisation, implicit or tacit knowledge is the "how to know" about processes and operations, while "what to know" is the explicit or expressed (revealed) knowledge, the knowledge of facts and operating principles. The distinction between the two types of knowledge is made according to the transferability and *mode of transmission* between persons. *Explicit knowledge* is codified knowledge and its fundamental characteristic is the manifested content, declared clearly with communication or written content. In this case, information is a public good that, once created, can be consumed by subsequent users at near-zero marginal cost (Grant, 1996). In contrast, *tacit knowledge* is revealed through its application. If tacit knowledge cannot be codified, and can only be observed through application and acquired through practice, then transmission between individuals will be costly, slow and uncertain (Kogut & Zander, 1992, Grant, 1996).

The ability to transfer and aggregate knowledge are, according to Grant (1996), key elements of transferability. The effectiveness of knowledge transfer depends on the *aggregation* potential of knowledge and the knowledge absorption capacity of the recipient. Knowledge absorption capacity depends on the ability of the recipient to add new knowledge to existing knowledge. According to Grant (1996), this requires *additivity* between the different knowledge elements,

i.e. the new knowledge element must be attachable to the recipient's existing knowledge. The effectiveness of aggregation is high if knowledge can be expressed in a common language⁶⁴. In contrast, there is non-additive and non-aggregable knowledge that is specific to place, time and situation. The idiosyncratic, specific knowledge of a unique nature (Jensen & Meckling, 1992). Knowledge, according to Grant (1996), is a resource subject to complex *acquisition problems*. Tacit knowledge cannot be acquired or transmitted directly between persons. This type of knowledge is acquired *through the practice of an activity*. Explicit knowledge, on the other hand, involves two types of risk. This type of knowledge is in the public domain, it can be acquired by anyone and passed on to anyone without restriction, or it can be made available to any market actor through marketing⁶⁵. Tacit knowledge is stored only *in individuals*, explicit knowledge can be linked to individuals and the firm as a whole (Grant, 1996).

In the first, founding phase of the family business life curve, knowledge is concentrated mainly in the form of tacit knowledge, due to the single owner-manager position. In the later stages of development, with the emergence of sibling community and cousin consortium on the ownership side, the focus of knowledge shifts towards explicit knowledge, but tacit knowledge may also remain because of the idiosyncratic nature of the knowledge. *The dominance of tacit knowledge is a risk of transgenerational wealth transfer. The other risk of family businesses is the capacity and ability of the recipient (the offspring, the receiving generation) to absorb knowledge.* In contrast to non-family businesses, where the recipient is a stakeholder (manager) selected on the basis of ability and competence, in the case of a family business the recipient is a designated family member. And the designated family member does not necessarily have the same knowledge absorption capacity as a manager selected on the basis of competence and market criteria. Third, the risk associated with transferability arises from the way in which knowledge is acquired. Tacit knowledge is linked to the natural person and its transfer is a longer, *time-consuming* process. This in turn may jeopardise the timely and successful transfer of wealth.

The *complement of transferability is the intention to transfer*, which is the volitional behaviour of the incumbent. The majority of managers of family firms want to retain their influence in the operation of the assets (the family firm) after the transfer of the assets/ wealth (Sharma, 2004). The roots of this can be found in nepotism. In contrast to entitlement-based nepotism, reciprocal nepotism⁶⁶ is the successful key factor in the exchange of social values within the family and the transfer of tacit knowledge (Jaskiewicz et al., 2013). The desire to retain influence is, according to Sharma (2004), an efficient and rational choice when (1) the existing legal system provides low protection to the owner (Burkart et al., 2003); (2) the family gains a significant non-monetary and reputational advantage by retaining leadership within the family; (3) the firm's competitive advantage is based on idiosyncratic (unique) knowledge that can be effectively transferred only to family members or possibly to the most trusted outsiders (Lee et al., 2003, Sharma 2004).

⁶⁴ One such common language is statistics, which is an effective tool for the transfer of explicit knowledge. For example, statistics on the historical evolution of stocks of customers and suppliers.

⁶⁵ The only exception is copyright and patented knowledge, which establishes a quasi-proprietary right to knowledge.

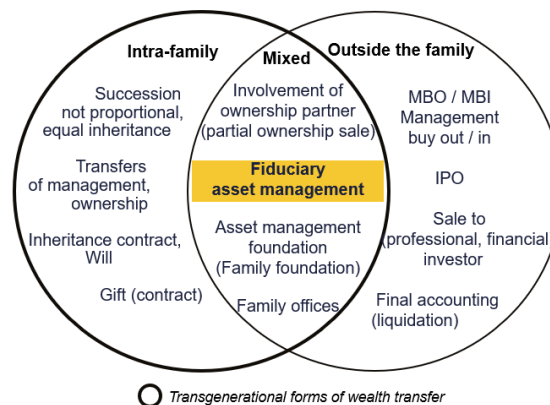
⁶⁶ The relationship is based on interaction, selection and positive feedback between the donor and the chosen offspring.

2.7. Transgenerational wealth transfer structures

In this chapter, I will provide an exhaustive list of the forms of asset (wealth) transfers related to the succession of (family) businesses. I analyse in detail the transgenerational forms of asset (wealth) transfer and place trusts within the system of the transgenerational asset (wealth) transfer forms.

The actual feasible exit and transgenerational wealth transfer alternatives are determined by the internal operating characteristics of the family business (enterprise) and the combination of external environmental factors. The internal characteristics detailed in section 2.6 define the distance between the incumbent (family) and the firm, i.e. the extent to which the firm is able or possible to operate independently of the incumbent. The external factors, detailed in section 2.5, are the institutional environment determining the alternatives to succession exit and transgenerational wealth transfer, (i) the inheritance rules, (ii) the formal institutional systems available and (iii) the tax issues related to succession. These determine the nature, how and options for transgenerational wealth transfer (Hajdu, 2022). The *form of wealth transfer* is the transfer of ownership and management of assets (business) within the family, outside the family or in the context of mixed (temporary) succession. *Transgenerational forms of wealth transfer* are alternatives for the flow/ transfer of wealth within the family and for mixed succession (see Figure 39).

Figure 39: Asset transfer forms and succession alternatives depending on the formal institutional system



Source: based on Zellweger (2017), Hajdu (2022) own editing

2.7.1. Forms of transfer of assets

The forms related to exit alternatives and transgenerational asset transfer can be classified as follows, taking into account the Hungarian regulatory environment in particular.

(1) *Intra-family transfer (succession)*. Intra-family succession and transgenerational wealth transfer are the *direct transfer of ownership* and control (management) of a business between family members to the successor generation (Hajdu, 2022). It can take several forms.

- In the case of a *legal succession*, the testator - in the case of a family business, the owner - does not exercise his or her freedom of testamentary disposition or the property is not subject to his or her testamentary disposition. The fate of the property is determined by law. Regardless of the will of the transferor, the property (the family business) is distributed to

the heirs in accordance with the principle of division and distribution (in common law the evolved), typically in equal shares, as laid down by the law of the society concerned. In Hungary, the Civil Code (Act V of 2013.) lists the persons entitled to inherit (relatives, spouse, state). Inheritance - in the lineal and collateral group of relatives - is based strictly on blood (the only exception being adopted children) according to the strict order of succession - the order of succession of descendants (Civil Code, § 7:55), the succession of ascendants and collateral relatives (parentage succession) laid down by law (Civil Code, §§ 7:63, 66 and 68). In fact, the traditional additional legal institution of 'class deduction' ensures that persons in the same succession situation receive an equal share, because each heir is obliged to add to the estate the value of the free gift which the testator received during his or her lifetime (Civil Code, § 7:56) (Hajdu, 2022). (See Figure 39, not-proportional, equal inheritance.)

- In the case of a *testamentary* disposition, the testator (transferor) disposes of his or her assets - the family business - in the event of death. This may take the form of (i) a *will* - a unilateral legal declaration by the testator strictly in accordance with formal requirements, (ii) a *contract of succession* - a contract in which the testator makes the party contracting with him his heir in return for maintenance or an annuity, and (iii) a *gift on death* - a declaration in which the grant is conditional on the donee surviving the donor (Civil Code, Book Seven, Part Two).

With a testamentary disposition, the transferor is free to determine the fate of the property, the family business, subject to one, but significant, limitation. This limit is the *duty part of the heritage*. A compulsory portion is the minimum share due to the testator's next of kin and spouse in the testator's estate, the substance of which is a claim under an obligation right, primarily a claim for money, arising on the death of the testator. The amount of the compulsory portion is one third of the amount to which the person entitled to the compulsory portion would be entitled as the legal heir (Civil Code, Article 7:82). The institution of the duty part of the heritage, if the object of the estate is a family business, is capable, despite the freedom of testamentary disposition, of influencing the succession alternatives of the family business and the succession strategy of the transferor, because it is capable of 'burdening' or *blocking* the business.

- In the case of a *transmission*, the incumbent (family member owner) transfers the assets, ownership and/or management of the family business during his or her lifetime. The transmission of a management position has no legal consequence from an inheritance point of view. In the case of a transfer of ownership, if there are several potential descendants and the transfer-division is not made on a *pari passu* basis, a claim for a duty part of the heritage arises upon the death of the testator.

(2) *Outside the family transfer (succession)*. In the case of non-family succession, the ownership and management of the company *is transferred out of the family*. Descendants and relatives do not take over any of the positions, they are transferred to a person outside the family and the business *loses* its family character (Hajdu, 2022). The alternatives for this succession and transfer of assets are as follows (see Figure 39)

- A *private sale* of a family business to a legal and/or natural person outside the family circle. The sale of shares could be on spot, option or forward to *professional* and/or *financial investors*.
- The sale of the ownership (shares) through an initial *public offering* (IPO).
- *Management buy-out and buy-in*, where a family business is bought by non-family managers and/or external managers using external financing (MBO, Management Buyout,

MBI, Management Buy-In), such as SPACs (Special Purpose Acquisition Companies), which are a non-business formation for the acquisition of existing companies.

- A special case of non-family succession alternatives is the *dissolution of the family business without legal succession, liquidation or final accounting*. In this case, both the family nature and the business are completely eliminated.

Outside the family succession can also be achieved by the family retaining a certain equity stake in the sale-transfer or at merger and acquisition transaction, but without any right of control or management ("passive ownership").

(3) "*Mixed*" transfers. Mixed-type exit alternatives and transgenerational asset transfer forms are "structures where the management or transfer of property/ownership takes place intermittently" (Hajdu, 2022) or through the dilution of the ownership.

- *Dilution of ownership* is achieved through the involvement of an ownership partner and/or the sale of part ownership. The family member's ownership share is then reduced by a one-off act or over time. This removes the family's exclusive ownership (right of control) and management (right of management). The involvement of an external party can provide skills and resources which are a prerequisite for the sustainability of the company and which the company does not have or will in future lack (involvement of an ownership partner, sale of a stake, see Figure 39). If dilution takes place in such a way that family ownership and control is progressively reduced, with the co-owner 'crowding out' or 'squeezing' family members into minority ownership, then the mixed type of transfer turns into a transfer outside the family ('passive ownership' is formed).
- Ownership and/or management of property is transferred through intermediaries or surrogates. "*Intermediaries or surrogates* are "*trust agents*" outside the family (or the owner) who are entrusted by the owners (founders) of the family business to manage the affairs of the beneficiaries (heirs or legatees) while also supervising the managers who run the business" (Hajdu, 2022). (See Figure 39: fiduciary asset management, asset management foundation, family foundation, family offices.)

2.7.2. Substitutes and intermediaries

'Substitution' is a mechanism for introducing talented outsiders to manage the affairs of the family firm in the absence of qualified or in the case of unqualified family members (Mehrotra et al., 2011)⁶⁷. By substitution, the owners of the family business (typically the founders), as the settlors of the assets, entrust the assets to the surrogates. By this act, the settlor *separates ex ante* the ownership and control rights of the beneficiaries (successors, heirs). A second level of agency is wedged (inserted) between the beneficiaries and the managers of the firm's assets, the "first level of agency". The introduction of the institution of *surrogates* in asset management creates a dual-agent relationship, where a second level of agent (the surrogates) watches over the first level of agent (the manager) in the vertical order of the dual separation of ownership and control. (See section 2.5.2 for details!) "Once these surrogates are established, they take on a life of their own, may acquire a distinct legal form and become a separate corporate-organisational form" (Hajdu, 2022)⁶⁸. The surrogate becomes the legal instrument that ensures the durability of the family business. It allows the founder to perpetuate control of family capital

⁶⁷ Substitution is also found in the literature on the role of marriage in the succession of family businesses when a spouse enters the family (Mehrotra et al., 2011).

⁶⁸ It must have a separate legal form or a separate management form. Failing this, the settlor will not be able to 'take it away from the beneficiary'.

while being able to detach personal and emotional interests from the affairs of the firm (Carney et al., 2014). The number of 'forms of substitution' is constantly expanding as socio-economic developments and the regulation of asset management, property and securities evolve (Hajdu, 2022).

In my interpretation of "substitution", it is an institution related to *succession* and inheritance, where a person is wedged (inserted) between the transferor (the testator) and the successor (the heir), whose task is to administer the property or business for the benefit of the designated heir. The *scope* of the substitution varies, as it may include (a) only the preservation of the property, *passive management* of the property, or (b) *active management* of the property with a view to its income-generating capacity.

The use of *intermediaries* is a form of corporate governance and an approach to running a company. An intermediary institution or person is wedged (inserted) between the family member who is the owner and the assets, the business entity. The intermediary manages the business and manages the assets, depending on the extent of the authority from the family member's owner. In the next section, I will look at the intermediary formations.

2.7.3. Intermediary formats

According to Eddleston & Kellermanns (2007), the financial and non-financial interests of the owners of a first generation business and a multi-ownership business managed by successive generations differ significantly, which can lead to conflict and discord. The monolithic culture breaks down and complex ownership systems evolve (Gersick et al., 1997). Intra-group conflicts arising from the diversity and different interests (heterogeneity) of family owners are defined by Zellweger & Kammerlander (2015) as "*blockholder conflict*". It becomes necessary to reconcile heterogeneous interests, which can be done in three ways (1) by using a "do nothing" strategy. This can negatively affect the firm's performance and lead to the break-up of the firm. (2) Resolving problems by concluding a syndicated contract. Internal family governance mechanisms, such as the family constitution, can settle problems, but they have no legal binding force. (3) By separating ownership and management of assets. An *intermediary (intermediate) institution* is wedged between the owner and the property (Carney et al., 2014, Zellweger & Kammerlander, 2015).

According to Zellweger & Kammerlander (2015), in the case of multi-owner family businesses, dual-agent conflicts appear alongside the "classical" principal-agent relationship (Jensen, & Meckling, 1976), altruism-generated (Schulze et al., 2001), majority-minority owner conflict (La Porta et al., 1998, 2000, 2002) and family member conflict (blockholder conflict). *Dual agency conflict* arises when a 'mediating' intermediary is wedged between the family and the wealth (the family business). The middleman becomes the manager of the assets and is placed in an agent position vis-à-vis the family member owners. On the other hand, it starts to act as a 'quasi-owner' vis-à-vis the company managers. The company manager becomes the first level agent, and the intermediary (asset manager) becomes the second level agent, whose job is to control the asset managers, the first level agents. The agency costs are "*double-agency costs*" because they duplicate the conflict and associated agency costs arising from the "classic" principal-agent relationship. Between the family members and the intermediary agent, and between the intermediary agent (quasi-owner) and the company manager (first-tier agent).

Zellweger & Kammerlander (2015) examine the intermediary institutions between the owner and the asset from a *corporate governance perspective*. They seek to answer the question of

what forms of governance work effectively to resolve conflicts and diverging motivations among owners. They argue that conflicts generate a "*blockholder cost*". The costs are proportional to the severity of the conflicts, but can be mitigated by separating family and property (wealth) and introducing an intermediate institution. They argue that the gradual separation of family and assets reduces the costs of family member ownership conflicts, but that this is accompanied by an increase in double agency costs.⁶⁹ Depending on the *extent to* which and the *form in* which ownership is transferred to the intermediation structure, four types of family wealth management structures are distinguished (see Figure 40)

Figure 40: Summary characteristics of intermediary institutions

	Uncoordinated family	Embedded Family Office	Single Family Office	Family Foundation / Fiduciary Asset Management (Trust)
	2	3	3	3
Asset (wealth) management levels	Owner Corporate (manager)	Owner "organizational officer" Corporate (manager)	Owner "intermediate institution" Corporate (manager)	Owner "intermediate institution" Corporate (manager)
Forms of asset (wealth) management	in the family enterprise (at ownership level)	in the family enterprise (employed clerk)	independent legal entity (direct family ownership)	independent legal entity (limited ownership rights)
Institutional form	no independent institution	built into the organization	organizationally and legally independent	organizationally and legally independent
Cost of operation	None / Low	Low / High *	High **	High
Blockholder conflict (conflict between family members)	exists	maybe, but limited	weak	very weak ***
Cost of blockholder conflict	high	maybe, but limited	low	very low
Number of agency level	1 (corporate) manager	2 officer built in organization (corporate) manager	2 family office (asset manager) corporate manager	2 asset manager corporate manager
Types of agency costs	Principal - Principal Principal - Agent	Principal - Principal <i>Double agency cost</i> Majority - Minority Internal - External stakeholder	<i>Double agency cost</i> Majority - Minority Internal - External stakeholder	<i>Double agency cost</i> Internal - External stakeholder
Durability of inheritance / transgenerational wealth transfer	Low	Medium	High	Very high
After the change of generations, the wealth	Breaks down quickly	It remains, but the influence of the dominant family member prevails	It remains	It remains

* Low for the family / High for the corporate organization

** It can be allocated depending on the number of families

*** It can only arise due to access to beneficiary benefits / allowances

Source: own adaptation based on Zellweger & Kammerlander (2015)

2.7.3.1. *Uncoordinated family*

In the case of an uncoordinated family, family and property (wealth) are not yet separated. The management of assets is directly in the hands of the family and the divergent interests of family members are not aligned. Maintenance and operating costs are low, with no double agency costs due to the absence of the "intermediary" institution. All family members are owners in their

⁶⁹ However, the extent of the change in costs or their proportional change has not been demonstrated.

own right. They have legal, direct and uncontrolled access to the family's assets, the family business. It is mainly a feature of families with patriarchal/matriarchal dominance, where there is no need or not yet a need to align the interests of family members (Zellweger & Kammerlander, 2015). The risk of succession and successful long-term generational wealth transfer is high. A dominant founder or a patriarchal/matriarchal family structure keeps control in one hand and can maintain the operation. The extension of the operating period can be achieved by the provision of a last will and testament and the appointment of specific successors to continue the business. However, with the 'disappearance' of the dominant actor, the disintegration of the structure is triggered because, with the emergence of multiple family ownership, the interests of the family members who are not in management are at odds with those of the controlling ones (Gilding 2005) and competition for family assets is triggered. An uncoordinated governance structure triggers competition for resources and a struggle for power and money among family members. As long as the business is successful, there is no disagreement between family members. As soon as the performance of the firm declines, it brings to the surface the disagreement and the need for some family members to leave the firm (Gilding 2005, Zellweger & Kammerlander, 2015).

2.7.3.2. *Embedded family office*

In the case of an embedded family office, the assets are managed within the existing corporate organisation. It is characterised by a low degree of separation of family and assets (wealth). The direct influence of the family on the agent is high. The affairs are handled by a non-family agent (official) within the company organisation. Since the intermediary (the trustee/ the asset manager) is embedded in the business, the form of operation is cost-effective if it has an agent whom the family trusts. The institutional form is a "*hybrid hierarchical structure*", because the family trustee is subordinate to the head of the company, but deals directly with the family member's business and private property and personal affairs. This task, in turn, removes him from the organisational hierarchy within the company and the manager cannot impose his will on the agent. The family agent, who is independent of the organisation (not subordinate to the head of the company), generates costs in the organisation because he or she does not take into account the needs of the organisation and its efficient functioning, but satisfies the needs of the family. He or she manages the different interests of the family members spontaneously because there are no regulated processes in the absence of an autonomous organisational structure. The embedded family office already provides the possibility to coordinate the asset management affairs of each family member. However, there is already a risk of double agency level and double agency costs. The agent (the in-house bureaucrat) is placed in a privileged position, emerging as an influential "information and power broker" (Zellweger & Kammerlander, 2015). The embedded family agent (bureaucrat) may be tempted to make decisions in his or her own interest. There may also be a lack of competence, because the family agent within the organisation is often only a confidant of the family member, but lacks the necessary wealth management experience and training. However, the governance structure is an ongoing enduring feature of the family business and can be applied to generational transitions because it is already capable of managing wealth continuously over time and generations (Zellweger & Kammerlander, 2015).

2.7.3.3. *Independent family office*

The family office, an institution with its own legal personality, is now placed between the family and the property (wealth). The ownership position of the family is retained, only the operation is completely separated as an independent organisation. This takes several forms.

- In the case of a *Single Family Office*, the office deals exclusively with the affairs of a single family. It manages the portfolio of family assets. It also performs a non-financial, "concierge" function, providing personal services (travel arrangements, lifestyle management, etc.) to family members.
- In a *Multi-family Office*, the office handles the affairs of several families at once. The families are not necessarily related, they are not related by blood. It manages a multi-family portfolio of assets, managing the families' investments. Provides "concierge" services. It operates on a commercial basis, with each family paying a flat or one-off fee for the services it uses. Economies of scale, handling the affairs of several families at once, allow costs to be optimised. Multi-family offices often evolve from single-family offices, as another family gradually starts to use the single-family office as a favour and then as a business (Zellweger & Kammerlander, 2015).
- *Virtual family office*. Families who need the functions of a family office to manage their financial and other affairs, but do not wish to set up a separate company, can opt for a virtual family office. All services are purchased separately from external service providers and advisors (Credit Suisse, Family Office White Paper, 2014). In addition to the cost-effectiveness, this also entails risks because the cases are not coordinated and above a certain level of cases the virtual family office becomes a real family office.

The reasons for setting up a separate family office are the desire for professionalisation, the lack of competence of the successor generation, and the limitation of the family member's direct access to assets (Gilding, 2005, Welsh et al., 2013, Zellweger & Kammerlander, 2015). There may also be economic and tax advantages of managing family assets in a group asset pool. It is characterised by operating as a separate entity from the corporate organisation. It is managed independently and is a separate legal entity, which raises ongoing control and efficiency issues for the family (Zellweger & Kammerlander, 2015). The autonomous organisational form already creates double agency problems, but the cost of conflicts between family members (blockholders cost) is significantly reduced. It prevents asset (wealth) dilution, the family is able to preserve the integrity of the assets over a long period of time. By applying investment guidelines and delegating asset management tasks to a professional trustee, independent family offices are able to directly manage conflicts between family members. The extent of the dual agency cost depends on how closely the family supervises the family office (the second level agent). Family member involvement in the family office's activities reduces the dual agency cost (no need to devote large resources to supervision) but may also introduce agency costs due to altruism. Dual agency costs are increased if the family office agent is not given sufficient incentives and motivation to manage the assets. First- and second-level agents may even align their behaviour (actions) against the interest of the principal (Carney et al., 2014, Zellweger & Kammerlander, 2015). In addition to agency costs, family offices generate additional direct costs due to operating in an autonomous organisational framework outside the existing organisation (the family firm).

There is no clear picture of their number and size⁷⁰, because family wealth management is a highly discretionary activity and typically takes place in a closed circle. Amit et al, (2008) non-representative questionnaire survey for Europe, the Americas and other developed countries of

⁷⁰ There are an estimated 2,500-3,000 family offices in the United States of America and 4,000-6,000 family offices worldwide. More than 6,000 privately owned businesses exist informally in the United States, Europe and Asia. The minimum threshold for a full-service family office varies, with some analyses requiring at least \$200-300 million in assets to justify the creation of a family office (Welsh, Memili, Rosplock, Roure, & Segurado, 2013).

the world⁷¹ find that the average family office serves 13 households and an average of 40 family members and two to three generations at a time. Families see offices primarily as a private investment office and "soft" issues such as education, "concierge" and charity are of secondary, significantly less importance to them.

2.7.3.4. *Family foundation and fiduciary asset management (trust)*

The "family" foundation and trust are forms of institutions that separate the property (wealth) from the family. The governance structure implies a complete separation of ownership and organisation. Trusts are more common in common law countries, whereas the foundation form is more common in continental law countries. In both cases, the grantor of the assets assigns assets to the trustee (foundation) for management or execution tasks on the interest of a designated person. At the time of the transfer, the settlor specifies in advance the 'norms' (rules) for the management of the assets. The direct access of family members to the assets is limited and is therefore an effective means of managing conflicts between family members (blockholders conflict). It allows the settlor to "conserve" and maintain the "status quo". It creates a personal legacy that will be preserved for descendants (posterity), maintaining the founder's reputation and authority. It is also suitable for resolving succession and intergenerational wealth transfer. By limiting the descendant's access to the successor's assets, it prevents the successor from using up the assets, while at the same time it can fill in missing personal and corporate governance competences. The transfer to a trustee reduces the "visibility" of the assets, increases the dependence of the family member on the trustee, and places the trustee in a strong "gatekeeper" position (Zellweger & Kammerlander, 2015).

The institutions create a double agency situation and generate significant double agency costs. The asset manager (trustee) operates independently. According to Zellweger & Kammerlander (2015), there is a risk that he or she acts according to the primacy of his or her own interests and puts the interests of the beneficiary second. Since the first-tier agents (the managers of the company) are already acting in their "self-interest", it is more likely that the second-tier agents (the trustee) will not align their interests with those of the beneficiaries, but will "collude" with the first-tier agent to the detriment of the beneficiary. The trustee becomes independent and takes on a life of its own. Similar to family offices, the appointment of a family member as trustee can reduce the costs of dual agency, but can also increase the costs of altruism-induced agency.

According to Boxx (2004) and Sitkoff (2003), the trustee has unfettered and uncontrolled discretion over investments, so there is little "chance of being caught out" and few obstacles to the trustee (trust agent) taking advantage of his position. No specific objectives can be set for the management of assets (trust, fiduciary), only fiduciary principles and guidelines. The trustee therefore has wide discretionary powers in the management of investments. This wide discretion and the limited exercise of control by the beneficiary, who is 'disconnected from the property', make it difficult to align the interests of the secondary agents and the beneficiary. Despite the cognitive legal norms (regulation) and the fiduciaries' duty of care and liability for damages, the risk of "self-dealing" (i.e. acting in the fiduciary's own interest) is high and ex post sanctioning is generally not possible (Civil Code, Art. §§ 6:321-6:323, Cooter &

⁷¹ The research was conducted between 2006 and 2007 among family offices in the Americas (Bahamas, Brazil, Canada, El Salvador and the United States), Europe (Belgium, Finland, France, Germany, Ireland, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom) and other regions of the world (Australia, Hong Kong, Japan, Malaysia, the Philippines and Singapore), with at least USD 100 million in invested assets under management.

Freedman, 1991, Langbein, 2004, Zellweger & Kammerlander, 2015). Legislation is not an adequate substitute control. The family member (beneficiary) has essentially no means at his disposal to control the trustee's actions (acts), even if the trustee withdraws the asset from the beneficiary (Boxx, 2012). The beneficiary has no regulatory, supervisory (e.g. regulatory controls) or market control mechanisms (securities supervision controls) due to the artificial closed nature of the scheme (closed-end nature). Essentially, the internal (internal - e.g. supervisory board control) and external (external - e.g. capital market supervision committee in the case of public companies) control (monitoring) mechanisms that are common and regular in companies to monitor and sanction managers/trustees are not available for these types of institutions (Peng, & Jiang, 2010, Zellweger & Kammerlander, 2015)⁷².

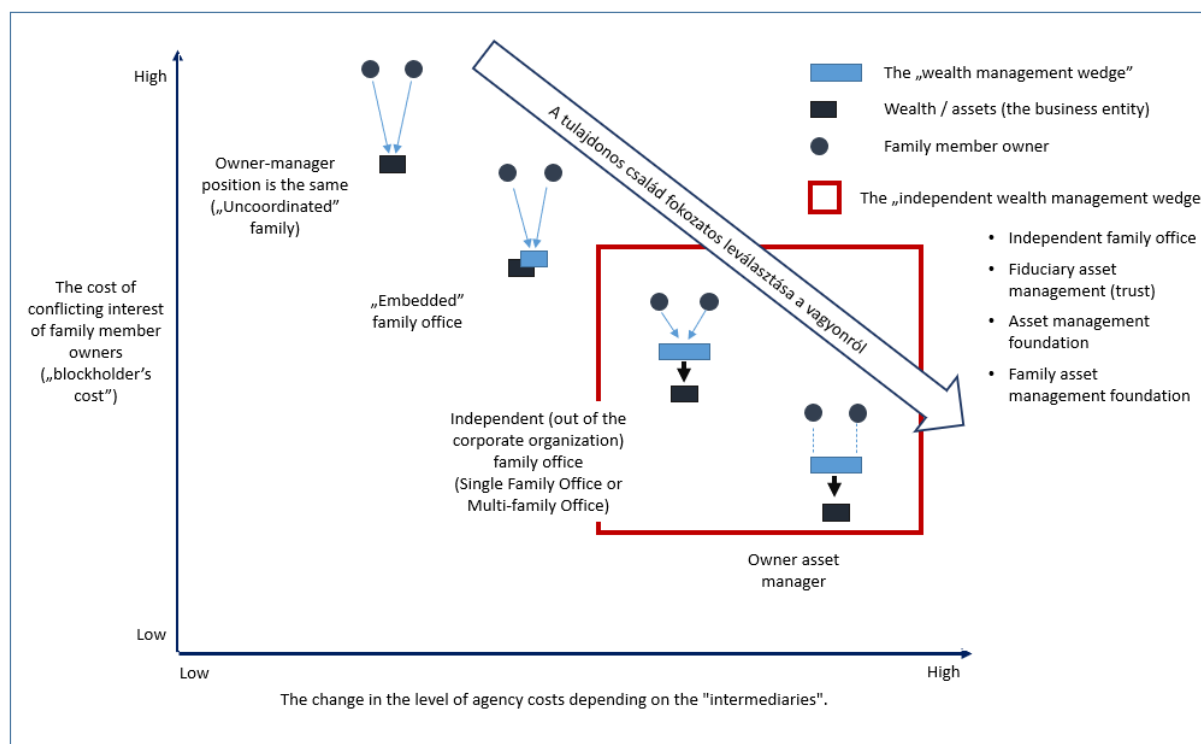
2.7.4. The wealth management wedge

In family businesses, after the founding phase, blockholder conflicts between family member owners due to heterogeneous motivations and divergent preferences, and the resulting blockholder costs, can be resolved by intermediary institutions. *Intermediate institutions*, which are wedged between the wealth (assets) and the family, take over the management of the family's (member's) wealth (assets). Intermediate institutions differ in the degree of 'separation' between the wealth and the family - in governance formations and organisational structures. *The more independent* the institution becomes, the greater the risk of a double agency problem and the higher the risk of incurring double agency costs.

In addition to providing an efficient form of corporate governance (Zellweger & Kammerlander, 2015), the primary purpose of intermediate institutions between the family and the wealth (the corporation) is to ensure the efficient management of wealth (asset). In my interpretation, they therefore fulfil the function of a 'wealth management wedge' in addition to their organisational form. A '*wealth management wedge*' is an autonomous intermediate institution for the efficient management of assets, which operates in a separated organisational and operational (governance) structure from the owner and the assets (wealth), and integrated into the existing organization, or operates as a separated legal entity, as an '*independent wealth management wedge*'. (See Figure 41!) Wedged between the family and the wealth, its purpose is to maintain the wealth (family business), preserve and enhance the value of the wealth, and provide the family (beneficiary) income and benefits.

⁷² Ad hoc inspections can be initiated by the courts in cases where the proper functioning of the system is threatened (for example, supervision of legality).

Figure 41: Forms and location of the wealth management wedge as a function of agency/blocking costs



Source: based on Zellweger & Kammerlander (2015), Hajdu (2022) own ed.

Separate organisational forms of intermediate institutions with separate legal personality, the "independent wealth management wedges" – fiduciary asset management (trusts), asset management foundations, family foundations - can also solve governance and succession situations.

- From a corporate governance point of view, as an intermediary institution (intermediaries) it is a suitable instrument for resolving conflicts between family members and eliminating blockholders' costs. It is an organisational structure where family members are "distanced" from the assets (wealth) and have no direct influence on them.
- In the case of succession, the surrogate may also be a separate legal entity, an independent intermediate institution, an "independent wealth management wedge", acting in the name and for the benefit of the heir (successor), as determined by the settlor's founding family member owner (incumbent).

In both cases, the distribution of ownership rights means that the right of possession, the right of exploitation, the right of use, the right to collect benefits, the right of disposal are transferred to the "independent wealth management wedge" of the intermediate institution (substitute/intermediary). It becomes a "quasi-owner" with a purpose, a duty of value preservation (duty of care) and a duty to return with a certain deadline (period of time). The introduction of such a wealth management / fiduciary wedge (intermediary/substitute) raises the agency theory problem arising from the separation of ownership and management (corporate control). It results in a duplication of the separation of ownership and control due to the vertically emerging dual agency level and the horizontally duplicating principal-agent relationship (Carney et al., 2014).

3. Literature summary. Theoretical framework of the research.

To theoretically ground my research, I explored the intersection of fiduciary asset (wealth) management and transgenerational wealth transfer. Instead of the legal interpretation of trusts (in rem vs. contractual concept), I focused primarily on their functionality and economic content. Accordingly, a fiduciary asset management is a transfer of the right to dispose of property to a trustee for a specific period of time and for a specific purpose or task. In substance, I interpret a fiduciary asset management trust as a time-shifted (forward) exchange transaction where a wealth management obligation arises between the two dates of transfer and release. The fiduciary wealth management obligation covers the preservation and appreciation of the total value of the transferred assets, the aggregate value of the portfolio of assets. In addition, the legal relationship may specify benefit obligations and income entitlements. The second dimension was to examine the process of transgenerational wealth transfer in relation to the succession of family businesses. My starting point was the common attribute of family firms in the literature, their transgenerational nature and their long-term survival intention (Chua et al., 1999, Zellweger, 2017). In order to logically explore the applicability of fiduciary wealth management, I sought to identify, parameterize and pre-systemize the variables that I believe influence the process of transgenerational wealth transfer and the choice of the wealth management form. By grouping the variables according to objective environmental factors and specific internal characteristics, I have sought to define focal points and identify specificities. These were used to further nuance the applicability of the fiduciary asset management (trusts) as a transgenerational wealth transfer form and to place them in a framework of alternatives to family succession-related wealth transfer forms.

Drawing on the literature and professional source materials, and following my preliminary theoretical framework and literature typology, I have identified the critical points that need to be understood and addressed in order to apply fiduciary asset management (trusts) as a form of transgenerational wealth management.

- a.) The contradictory paradox of value preservation vs. value enhancement in asset management can be resolved if the strict asset preservation responsibility approach is shifted towards modern portfolio-based management.
- b.) In managing the investments and risks of a portfolio of assets, a "prudent investor" approach should prevail over a "prudent man" approach.
- c.) Fiduciary asset management (trusts), where the trustee must act in the best and not the exclusive interests of the beneficiary, based on the principles of discretion and impartiality.
- d.) A fiduciary asset management (trust) is an intermediate institution wedged between the owner (family member) and the property. It may be a natural person, but typically exists in an organisational and operational (governance) structure separate from the owner and the estate and in the form of a separate legal entity.
- e.) Multiple agency situations arise: dual agency in the owner-asset (wealth) manager-corporate manager relationship, and dual principal-agent in the trustee-beneficiary-asset (wealth) manager relationship.
- f.) The trustee's organisational structure and decision-making structure, as well as the overall asset management policies set out, are a counterweight to the risks associated with agency costs.

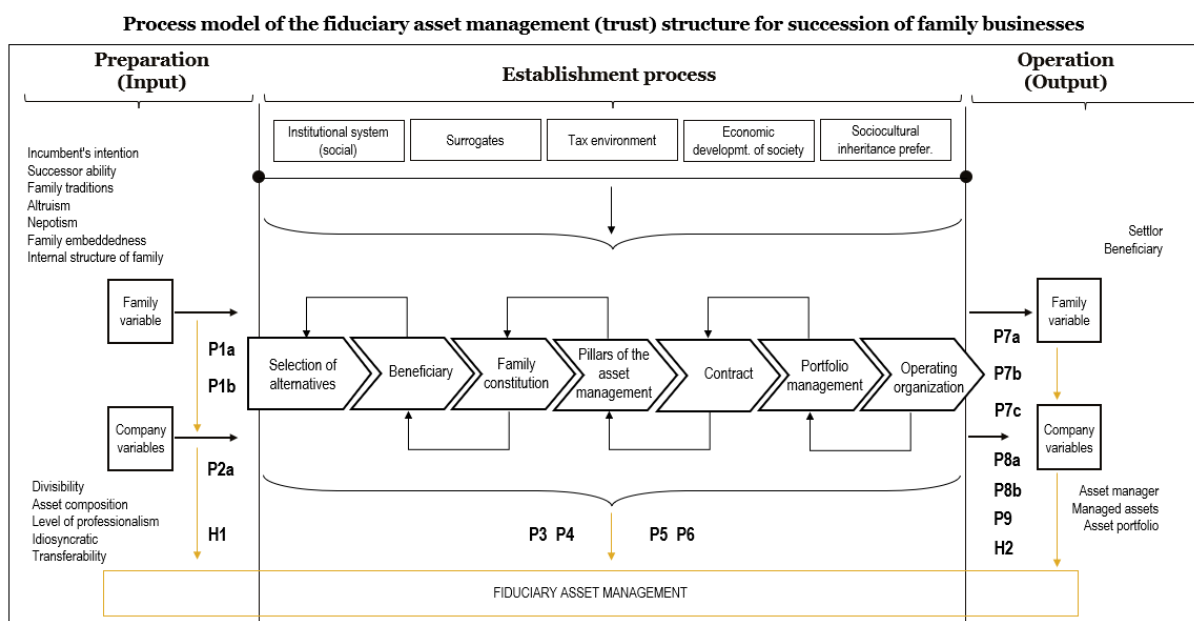
My overall conclusions based on the literature review are.

- a.) Family businesses become heterogeneous after the first generation, due to multiple successions from the point of view of family ownership. Family ties are loosened, and monolithic communities can develop into conflicts of interest.
- b.) The content of the family is also changing. The classical norm-religious value system is being replaced by a different concept of the family due to the different developments in different societies.
- c.) The variables of succession resulting from the attributes of the natural person or community of persons - the personality, will and abilities of the transferor (incumbent) and the heir (successor), the degree of family embeddedness, the internal structure of the family - limit the realistic succession alternatives for a given situation.
- d.) As companies grow, they become larger, more opaque and complex, and they move away from the family. The family is no longer in control in the same way as in a smaller one-person/founder-run business.
- e.) A common attribute of family firms is their transgenerational and long-term survival intentions (Zellweger, 2017). Succession strategies and wealth transfer alternatives are determined by the "institutional matrix" of external variables of wealth transfer and by specific variables resulting from the structure and functioning of the family and the wealth (business).
- f.) With the separation of ownership (assets) and control (management), the agency problem also appears in the family business, increasing agency costs. Multiple ownership also leads to conflict between family members and associated costs. This justifies the use of intermediaries, the wealth management wedge ("fiduciary asset management wedge").
- g.) Trust is the cornerstone of social, societal and business relationships (Carney, 1998). Trust will also be the cornerstone of the separation of family and wealth, and the separate management/ operation of wealth.
- h.) The alternatives to the formalisation (institutionalisation) and application of the wealth management wedge (fiduciary asset management wedge) are influenced by the legal institutional system (legal regulation), historical characteristics and the traditions specific to a given society. In evolving and developing legal systems, in transition economies such as post-change of regime Hungary, institutional adaptation is possible because the economy and its institutional systems are evolving.
- i.) One of the most widespread forms of the wealth management wedge in Europe is the trust, whose Hungarian equivalent is the fiduciary asset management. The institution was introduced into the Hungarian legal system by Act V of 2013 (the new Civil Code). The content of the regulation follows the portfolio approach to asset management.
- j.) Fiduciary asset management (trusts) can be linked to situations of transgenerational wealth transfer. These situations may be caused by (1) the characteristics and particularities of the particular situation of the asset (business enterprise) or (2) the life situation and characteristics of the settlor (creator) and/or the beneficiary (beneficiary).

The theoretical framework for my research is set out below, based on the critical points identified in the literature review and my summary conclusions.

- a.) Fiduciary asset management (trusts) are a real alternative form of transgenerational wealth transfer. It can be a tool for the family business founders in their intergenerational succession strategy.
- b.) To put a family business into a fiduciary asset management (trusts) are a sequential series of steps and decisions for which a process model can be created (See Figure 42).
- c.) There are three main phases in the process model: preparation, establishment and operation or maintenance.
- d.) The establishment phase consists of further stages, the process is not linear. The output of each stage affects the input variables of the next stage of the process or feeds back to previous stages (iteration).
- e.) In parallel, there are two dimensions putting family business into fiduciary asset management (trusts) form. The corporate/firm line represents the portfolio of assets under management, while the family line defines the internal structure, the relationship between the assets under management as well as the transferor and the beneficiary family members.
- f.) The choice of a fiduciary asset management (trust) as a form of transgenerational wealth transfer is determined by an institutional matrix of external objective environmental variables and an internal set of indicators that can be related to the family-firm specificity.
- g.) Fiduciary asset management is a realistic instrument of transgenerational asset transfer in Hungary. It can be linked to family and personal life situations, as well as to wealth and business situations, especially in view of the current generational change of the generation that has changed the system.

Figure 42: Process model of the fiduciary asset management (trust) structure for succession of family businesses



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Source: own editing

4. Research questions

The aim of my dissertation is twofold. One objective was to provide a comprehensive theoretical overview of the role of fiduciary asset management (trusts) in the transgenerational wealth transfer. On the other hand, my aim was to empirically investigate the suitability of this relatively new form in the Hungarian legal system and the reasons and circumstances under which it is used in the case of the transgenerational transfer of wealth (succession) of private enterprises.

The research question and the hypotheses/propositions derived from it were extracted through multiple iterations. In designing the research process, I had to take several aspects into account. Due to the limited availability of quantitative data and the relative novelty of the institution of fiduciary asset management (trusts), I had to choose a research methodology that was expected to support my hypotheses with sufficient certainty. In particular, I had to pay attention to the adaptability of international experience to Hungary and to the fact that the application of trusts in generational wealth transfer is at the interface of legal and economic approaches. I was assisted in this by my decades of experience as a consultant and manager, as well as by my legal qualification. On the basis of these and in parallel with progress in the literature review, I have repeatedly rethought and refined the main research question.

Based on the above, I formulate my research question as follows.

What are the factors that help to build and sustain a fiduciary asset management (trust) for the purpose of transgenerational wealth transfer?

Based on a detailed literature review and my process model of the fiduciary asset management (trust) form of transgenerational wealth transfer (see Figure 42), I explore the research question with the following propositions and hypotheses.

a.) Related to the preparation phase

According to Gilding et al. (2015), there are two main motivations for incumbency: the desire to continue the business across generations and the desire to maintain family harmony. By systematizing the two types of motivation according to intensity, they provide a typology of incumbent motivation. From the motivation matrix, two situations emerge in which the "independent wealth management (trustee) wedge" (including the fiduciary asset management form of wealth transfer) can be a suitable vehicle for the transgenerational transfer of wealth. (1) One is when the incumbent's motivation to continue the business and to maintain family harmony is both strong. However, the successors are not yet ready to continue the business, or the organisation and operating mechanisms of the business are not yet sufficiently prepared for the transfer. In this case, the trustors (incumbents) can assert their motivation in two ways. On the one hand, they set up institutions (family statutes, constitution, family council, protocol) and relationship charters to strengthen the relationship between family members (Jaffe & Lane 2004). On the other hand, they professionalise the organisation. They develop a strategy, introduce management processes and internal procedures that improve the functioning of the company (Mazzola et al., 2008, Gilding et al., 2015). (2) The other case is when the family business already involves a complex organisational structure and diversified activities that are difficult to coordinate due to the individualistic behaviour of family members, while the family owner's motivation to maintain family harmony is strong but the motivation to continue the business is weak. According to Gilding et al. (2015), two phenomena shape this combination

of incumbent (trustor) motivations. Firms evolve with development into complex organisational structures with diversified activities and ownership communities. Coordination becomes difficult, and they then seek to set up institutions (family council, holding structure, family office) (Jaffe & Lane 2004) that hold the business together and maintain family unity. On the other hand, with sociological and sociological developments, individualisation is intensifying in contrast to traditional conventional norms, and family members are seeking to assert their personal interests. The priority of maintaining family harmony may then lead to the sale of the business or the division of assets.

According to Carr et al. (2016), the ability and commitment of the receiving generation is a critical factor in the sustainability of the economic and non-economic wealth transferred in a generational wealth transfer. The risk of the prospect of failure influences their will and intention. According to Parker (2016), the problem of a willing successor can be solved if the incumbent adopts a business strategy based on a tailored, resource-based approach (Barney, 1991). If the surviving parent decides to invest in intangible capital (tacit knowledge, relational and network capital) as part of the business strategy, he or she will be able to increase the value of the family business. This in turn will encourage the successor to take over the business. According to Parker (2016), non-financial motivations, incumbent altruism and dynastic preferences are the business strategy tools that will attract the interest of successors to continue running the firm. Effort is the third factor that is specific to family firms and should be exhibited by the successor in the family firm's operations after the transgenerational transfer of wealth. Effort is seen as a complement (complement) to ability (Chua et al., 2009, Parker 2016). If we accept the claim that successors to family firms are generally less able to manage the firm than the founders (Burkart et al., 2003), then successors will put less effort into the firm. Blumentritt (2016) analyzes natural motivation and perceived ability as conditions for succession and transgenerational wealth transfer related to the potential successor. Motivation is a binary variable related to the behavior of the successor (Ajzen, 1991), expressing his or her interest. Perceived ability is a continuous variable related to the offspring's willingness to transfer, and is a continuous variable of his self-image. The intersection of the two variables defines the types of offspring. Complementing Parker's (2016) thesis on the problem of a willing successor (offspring), he argues that the incumbent's targeted and sufficiently personalized actions can affect motivation and perceived ability. I argue that, in addition, the incumbent may have at his disposal institutions to temporarily or permanently replace the offspring's motivation and perceived ability. A trust for wealth transfer purposes (similar to other "independent wealth management wedges") may be suitable for dealing with situations of transgenerational wealth transfer where (a.) there is not yet a successor with the appropriate ability and/or commitment, either temporarily or permanently; (b.) the successor with the appropriate ability does not yet have the commitment or is not sufficiently committed to take over the business.

According to Wiklund et al. (2013), family embeddedness, the structural cohesion between family members, influences the choice of wealth transfer alternatives. In their view, the choice depends on the structure and involvement of the owning family, because succession is primarily a matter of changes in ownership structure and not of management succession. On the other hand, in the case of a family business, the family and the business are intertwined and the business is embedded in the family, at least in the first stage of the family business life cycle (founder stage). Thirdly, family variables, family structure and the nature and extent of family members' involvement in the business have an impact on the incumbent's choice. According to Wiklund et al. (2013), the degree of embeddedness of the owning family is determined and thus influenced by the direction and form of transgenerational wealth transfer (a) by the dispersion of family ownership. As family property becomes more fragmented, the likelihood of intra-

family succession and wealth transfer decreases because as the family grows and the number of family members increases, family cohesion decreases. (b.) The number and age of potential offspring. An increase in the number of potential heirs decreases the strength of family cohesion and the probability of succession within the family. The higher the proportion of adult-age offspring, the lower the probability of intra-family succession. (c) The involvement of generations in ownership, because the joint participation of several generations in the operation of the firm strengthens family cohesion and increases the intensity of embeddedness. (d) The existence of a family head of the firm. The appointment of a head from within the family sends a message of commitment to succession, whereas the appointment of a non-family head will make succession within the family less likely than succession outside the family. I argue that the fiduciary asset management as wealth transfer formula (similar to the other "independent wealth management wedges") is a suitable form for dealing with transgenerational wealth transfer situations because (a.) It is able to overcome weaknesses in the structural cohesion of the owning family in the event of an expected generational ownership split. (b.) It is able to compensate for the weak degree of embeddedness in the ownership shares of the split family member and the number of potential successors and the age-related gaps in the ownership structure.

Summarising these ideas, I have made the following propositions. The likelihood of using fiduciary asset management (trusts) as a transgenerational wealth transfer form increase if:

Proposition 1.a. (family characteristic)

No potential successor with the right skills or motivation.

Proposition 1.b. (family characteristic)

Family members cannot agree on the transfer of property and the distribution of management positions in the company.

Chandler (2015), Zellweger & Kammerlander (2015) argue that the size, complexity and diversity of assets influence the choice of control structures. The diversification of wealth, the composition of wealth components, can vary significantly across entrepreneurial families, social and economic systems (Steier et al., 2015, Chandler, 2015, Carr et al., 2016). If the business is owned by several family members (multiple interests), there is no necessary commonality of interests among members and diverging interests can lead to conflicts. Stakeholder identities are diversified rather than monolithic (Steier et al., 2015, Pieper et al., 2015), and persistence is largely due to the fact that governance is based on clear rules. The entrepreneurial family is characterised by the complexity of the ownership structure, the business and the assets held by the family (Michael-Tsabari et al., 2014, Steier et al., 2015, Zellweger & Kammerlander, 2015, Habbershon & Pistrui, 2002). The family ownership model is then characterised by an investor mindset and the use of entrepreneurial strategic methods, in the dimension of risk taking (return seeking) and its operational relationship with the assets. The firm is typically organised in a group structure with subsidiaries under or around the centrally located company (the holding company) (Habbershon & Pistrui, 2002, Morck & Yeung, 2003). I argue that fiduciary asset management (trusts) for wealth transfer purposes (similar to other "independent wealth management wedges") may be suitable in situations of transgenerational wealth transfer where the family business has the character of an entrepreneurial family and the transgenerational wealth is not concentrated in a single firm. Where wealth creation (ability to generate income and strive for maximum returns) and wealth accumulation (growth) involving diversification rather than the composition of wealth components is important (Habbershon & Pistrui, 2002).

Based on the above findings, I formulate the following proposition and hypothesis. The likelihood of using fiduciary asset management as a transgenerational wealth transfer form increase if:

Proposition 2 (company/asset (wealth) feature)

The family business portfolio includes more than one company.

H1 (company/asset (wealth) feature)

The majority of the assets are shares (corporate investment, business).

b.) Related to the establishment process stage

Habbershon and Pistrui (2002) consider the family business unit for the purpose of transgenerational wealth transfer to be the family ownership community rather than the business (Habbershon & Pistrui, 2002, p. 228). An implicit condition for transgenerational wealth is that the family ownership group has or develops an entrepreneurial mindset. An entrepreneurial family is a family type with an entrepreneurial spirit and attitude, an entrepreneurial mindset and the use of entrepreneurial strategies. Its output is aimed at increasing transgenerational wealth across generations. The theory of implicit monolithic structure of family businesses has been replaced in the literature by the theory of explicit heterogeneity of family businesses in terms of ownership structure, business activity and the complexity of assets held by the family (Michael-Tsabari et al, 2014, Steier et al., 2015, Zellweger & Kammerlander, 2015, Habbershon & Pistrui, 2002). For families that have reached this stage of complexity in their development, the family business approach has been replaced by the concept of the entrepreneurial family. In Steier et al.'s (2015) definition, the distinguishing features of the entrepreneurial family are that wealth is not concentrated in a single business, and the focus of succession is on preserving and maintaining the family value system and entrepreneurial spirit. The corporate operating and governance structure is designed to ensure growth and profitability. The firm is organised in a group structure with a holding company at the centre and subsidiaries or business units operating under or around it depending on the tax regime (Habbershon & Pistrui, 2002, Morck & Yeung, 2003). In the evolutionary life curve – founder (controlling owner), sibling partnership and cousin consortium ownership and management stages (Gersick et al, 1999), the family business is transformed, becoming increasingly professionalised and behaving as a non-family business. A necessary condition for transgenerational wealth transfer is the professionalisation of the firm as family members gradually move away from the firm. The personal role of the founding owner is being replaced by multiple management (community of brothers and sisters, cousin consortium), which can be carried out effectively through bodies (board of directors, supervisory board). This necessarily implies a professionalisation of organisation and operation.

Summarising the above ideas, I have formulated the following two propositions. Fiduciary asset management can affect the process and time required to create a transgenerational wealth transfer form.

Proposition 3 (company/asset (wealth) feature)

A holding company structure facilitates the transfer of assets.

Proposition 4 (company/asset (wealth) feature)

The degree of corporate professionalisation facilitates the successful completion of the establishment process.

The owner of a family business has economic and non-economic assets, which may be located inside or outside the business. Only in exceptional cases can a proportional division of wealth (property) be equated with a proportional division of assets. Consequently, the assets may not necessarily be divided proportionally. The possibilities for the division and distribution of assets without physical damage are determined by the composition of the assets. Succession to family businesses and generational wealth transfer involve the transfer of economic and non-economic assets by the settlor, the incumbent. Wealth transfer raises a double problem. On the one hand, there are elements of the assets that can be divided but cannot be transferred in a split-up. The assets of the business can in principle be divided but cannot in fact be split up because only the business as a whole can be transferred (the share ownership that constitutes the assets can be formally divided in the probate proceedings). On the other hand, there are some assets which cannot be divided but can only be transferred. Experience and tacit knowledge relating to the business can only be transferred but not divided between family members. According to Carney et. al. (2014), only assets that consist entirely of financial assets can be divided and inherited without losing their use value. The nature and composition of a firm's assets determines their divisibility and inheritability, and thus the mode of succession and intergenerational wealth transfer. Gedajlovic & Carney (2010) argue that in family businesses there exists a generic and non-tradeable group of assets (generic non-tradeable, GNTs) that are firm-specific and general in application. They argue that in addition to the Williamson (Williamson, 1998) specific and generic asset distinction, assets should also be distinguished on the basis of marketability criteria. On this basis, they distinguish four types of assets and related forms of management. Of these, the general and non-tradeable assets and the related form of management are the family business. In their interpretation, general and non-marketable assets can be used in alternative ways with similar efficiency, but are difficult to replace because of the need to develop and maintain the assets. Gedajlovic & Carney (2010) identify four types of general and non-tradeable intangible assets in family firms, (a) the linking bonding power of social capital, the bonding power of social capital, the linking power of the organisational network within the firm (b) the bridging power of social capital, the linking capital between independent groups. (c.) Reputation, which contributes to business success and has a high cost of reproduction. (d.) Tacit knowledge, an intangible asset that is general and difficult or impossible to reproduce, and which may take the form of a specific and firm-specific or general asset. According to Gedajlovic & Carney (2010), the family firm as an organisational-governance formation develops and exploits to a greater extent than non-family firms the binding and bridging power of social capital, reputation and the general form of tacit knowledge. I argue that the time required to develop a fiduciary asset management formation for the purpose of transgenerational wealth transfer and the duration of the transgenerational wealth transfer process may be influenced by the nature and extent of the general and non-tradeable intangible asset group that exists in the family firm and is defined by Gedajlovic & Carney (2010). The more important the role of the general and non-tradeable intangible asset group in the business of the family firm, the more time-consuming the process of transferring the business to the next generation.

Based on the above reflection, I make the following proposition:

Proposition 5 (company/asset (wealth) feature)

The role of the general and non-tradeable intangible asset group in the business of the enterprise affects the financial and time resource requirements of the transfer.

Each of the three sub-systems of the family business (family, company, property) has separate governance structures that iterate with each other and together ensure the systemic functioning of family governance. The governance structure associated with the functioning of the family subsystem is the internal structural functional configuration of the family. Family governance is the voluntary mechanisms established by the entrepreneurial family (Suess, 2014) to regulate and strengthen the relationship between the family and the firm and between family members. The internal functioning of the family is determined by the governance structures (institutions) used. The family governance structure used is a function of the position of the enterprise on the corporate life course and of the family's position on the developmental axis (Gersick et al., 1997). According to Suess (2014), the internal structure of the family can be (a) an operating structure without established institutions, characterized by an operation driven by personal relationships (b) a governance structure with established institutions, where the family's operation is determined by formal institutions (family meeting, family council, family constitution) (Suess, 2014). Succession, the transgenerational transfer of wealth, affects the complex system of the family firm's governance structure because changes in the subsystems interact. The family governance structure prior to wealth transfer influences succession opportunities and the timing of generational wealth transfer. The family business carries the potential for intra-group conflicts due to the personal involvement and the increase in the number of family members owners (Kubíček & Machek, 2020). According to Kellermanns & Eddleston (2004, 2007), relationship, task and process conflicts (Jehn & Bendersky, 2003) are not isolated from each other, conflicts are cross-influenced and iterate with each other continuously. Family governance structures, according to Suess (2014), are suitable for managing these conflicts because they contain formalised rules for the resolution of situations and the behaviour of individuals, thus facilitating the long-term survival of the firm. I argue that the necessary condition for the functioning of a fiduciary asset management (trust) for the purpose of transgenerational wealth transfer is the establishment and development of family structures and the use of family governance structures. The use of the fiduciary asset management (trust) form of wealth management stabilises the relationship between the family and the assets, strengthens the family governance structure and enables the assets (family business) to be managed effectively.

On the basis of the above findings, I formulate the following proposition in relation to the process of developing a fiduciary asset management (trust) form in transgenerational wealth transfer.

Proposition 6 (family characteristic)

The existence and elaboration of a family agreement (constitution) reduces the financial and time resources needed for its establishment.

c.) Related to the operational phase

In the case of a fiduciary asset management (trust) form of the transgenerational wealth transfer, the family and the company are separated. The settlor relinquishes his or her property (ownership) and assigns the assets to the trustee (asset manager) for a fixed period of time instead of to the beneficiary family members (successors). The trustee is responsible for the management of the transferred assets.

Family businesses are highly idiosyncratic because the transaction costs of the parties can vary significantly (Williamson, 1979). There is a general lack of institutionalisation of firm-specific business knowledge. Idiosyncraticity is associated with the individual rather than the firm as a whole, the primary source of which is knowledge acquired through experience (Lee et al.,

2003). Because family firms are typically unique and the degree of unique knowledge depends on accumulated business experience, uniqueness represents a significant transaction cost. Fiduciary wealth management is a suitable tool to solve the succession dilemma (Lee et al., 2003) because it can implement a preparation or warm-up strategy. The settlor temporarily employs an external agent, the trustee, who is later replaced by a suitable successor. The warm-up strategy is valid until the successor acquires capacity and also when the successors suffer from a persistent lack of capacity or will. The transgenerational wealth-transfer-oriented fiduciary asset management formation amplifies the emergence of a family operational and governance structure that employs established institutions (Suess, 2014). The use of institutions (family meeting, family council) reinforces the structured functioning of the ownership system and necessarily increases the professionalisation of the operation. At the same time, the family member's direct involvement in the business and in the operational and ownership management of the company is eliminated, which reduces the family's corporate identity. In the case of generational wealth transfer, the risks of transferability, knowledge transfer and aggregation (Grant, 1996) are twofold. On the one hand, the dominance of tacit knowledge is a risk of transgenerational wealth transfer, since tacit knowledge is stored exclusively in individuals, as opposed to explicit knowledge, which can be linked to the firm as a whole, in addition to individuals (Grant, 1996). Another risk of family firms is the capacity and ability of the recipient, the offspring, to absorb knowledge. In contrast to non-family businesses, where the transferee is a manager selected on the basis of ability and competence, in a family business the transferee is a designated family member. I argue that the use of the fiduciary asset management form for the purpose of transgenerational wealth transfer strengthens the family governance structure and the professionalisation of the ownership subsystem because of the formal link between family and wealth. At the same time, the institutional and formal separation of wealth (property) and family removes the family beneficiaries from the possibility of directly operating and managing the property (they only retain the right of control). This may lead to a reduction or loss of interest and commitment of family beneficiaries to the company and the wealth portfolio.

To summarize the above ideas, I make the following propositions regarding the impact of the fiduciary asset management (trusts) as a transgenerational wealth transfer form.

Proposition 7.a. (family effect)

The introduction of fiduciary asset management (trusts) reinforces the professionalisation of the family ownership subsystem.

Proposition 7.b. (family effect)

The introduction of trust weakens the family corporate identity of family beneficiaries.

Proposition 7.c. (family effect)

The introduction of fiduciary asset management weakens the ability to use family resources in the company for the benefit of the company.

A necessary condition for a successful transgenerational wealth transfer is the professionalisation of the company. Professionalisation is a multidimensional phenomenon (Stewart & Hitt, 2012), whose components have separate effects on firm performance. The involvement of an external, non-family managerial layer (Dyer, 1989, Klein & Bell, 2007, Chittoor & Das, 2007), the development of organisational structure and operational processes, the establishment of formal financial control systems and the development of human resources are all, together or separately, necessary in a transgenerational wealth transfer. The family member gradually moves away from the company and personal involvement shifts towards

indirect, multiple control. However, the management of multiple family members can only be carried out effectively through corporate bodies, which implies a professionalisation of the organisation and the functioning of the other corporate dimensions. The institutionalisation of wealth management necessarily leads to the professionalisation (and the strengthening of the professionalisation) of the organisation, management and operation of the firms that are part of the wealth elements, and forces the institutionalisation (codification) of firm-specific business knowledge.

Based on the above line of thought, I make the following propositions regarding the impact of the establishment of fiduciary asset management (trusts) as a transgenerational wealth transfer form.

Proposition 8.a. (corporate/asset (wealth) impact)

The introduction of fiduciary asset management will strengthen the further professionalisation of the business.

Proposition 8.b. (corporate/asset (wealth) impact)

The size and operation of at least one of the companies in the family business portfolio requires professionalisation.

The law of inheritance of a given country determines *expressis verbis* the legal constructions (formal definition) available to the incumbent which he can use in the transgenerational transfer of property (wealth), in the succession. Dispositional institutions such as wills, trusts (entail) and foundations, as well as the obligatory part or intestate succession, determine the flow of wealth between generations, the direction of wealth transfer. Excessive restrictions on the freedom of disposition, as reflected in the legal provisions on inheritance, can have counterproductive effects and result in low investment/investment rates in family businesses. According to Carney et al. (2014), if freedom of disposition is excessively restricted by the legal institutional system, wealth becomes dead money because it is fragmented and not efficiently used in successions. Restricting the freedom of disposition forces the testator to distribute wealth equally among family members (according to the general order of legal inheritance). This destabilizes the capital base of the family business because it divides capital into many separate hands (Schulze et al., 2003, Ellul et al., 2010, Carney et al., 2014). They argue that the lifespan of the family business is reduced where inheritance laws reduce and divide family business wealth (Carney et al., 2014). Restrictions on the transferability of wealth diminish the value of wealth (Bertrand & Schoar, 2006, Morck et al., 2000). Legal institutions that restrict free will and the transferability of wealth permanently or temporarily suspend the marketability of wealth. According to Carney et al. (2014), the value of family firm assets will decrease if inheritance law restricts the transferability of assets. I argue that the correlation between restrictions on the distribution and allocation of wealth and its negative impact on asset value holds for legal institutions that restrict the marketability of some of the assets that make up the estate. In the case of legal instruments which consider the property (estate / wealth) as a whole, as a set of assets, and which are based on the combined value of the assets of the whole property taken together, but which do not exclude marketability for the assets that make up the property, the preservation of the value of the property and the increase in value can be maintained. Fiduciary asset management considers all of the assets that make up the estate, the assets under management, as a single unit. Transgenerational asset transfer prevents the division of assets and the allocation (fragmentation) of capital and shifts it over time. It can have a value preserving and value enhancing effect on the assets. It allows for the exchange of assets of the assets under management (the portfolio) on condition that the proceeds from the disposal of the

assets are used to acquire new assets. Transactions of assets must be carried out with a view to increasing the overall value of the assets and their long-term sustainability. Fiduciary asset management (trusts) are a form of wealth management in the context of a transgenerational transfer of wealth, where the risk management of the family business is transferred to the trustee. Risk management at the asset level is replaced by risk management at the portfolio level (UPIA, 1994, Langbein, 1995.b, Halbach, 2000, UTC 2000, 2003, Hudson 2010, Boxx 2012). The value-preservation (income generation) and value-growth (sustainability) contention of fiduciary wealth management is resolved by risk management at the portfolio level replacing risk management at the asset level.

Based on the above ideas, I formulate the following proposition and hypothesis on the impact of development of the fiduciary asset management (trust) as a transgenerational wealth transfer form.

Proposition 9 (company/asset (wealth) feature)

The introduction of fiduciary asset management has a value-preserving and value-enhancing effect on the assets under management.

H2 (company/asset (wealth) feature)

In the case of fiduciary asset management, the portfolio of assets under management is dominated by corporate investments (shares).

5. Research methodology

On the one hand, my complex research question formulates propositions for a process model of fiduciary asset management (trust), and hypotheses related to the assets under management, and examines their validity. The construction of a trust is a series of iterative steps between the settlor, the trustee and the beneficiary, in which the behaviour and motivation of the stakeholders play a decisive role. On the other hand, the research question tries to infer the process of transgenerational wealth transfer from the characteristics of the assets under management. The subject of fiduciary asset management is the asset under management and its operation, where the success of the operation can be measured and quantified along criteria. For the relatively new form of transgenerational wealth transfer - introduced into the Hungarian legal system by Act V of 2013 (Civil Code) - there are few aggregated and published conclusions from primary data, and the availability of existing data is limited. For this reason, the answer to my research question - the functionality of fiduciary asset management (trusts) in the transgenerational transfer of assets - was addressed in several ways. I have used a mixed research methodology to understand the two phenomena, the process of wealth transfer and the assets under management.

The combination of qualitative and quantitative research methods - combining different approaches, data collection and analysis, and tools for inference - makes deeper understanding and corroboration more likely (Teddle & Tashakkori, 2010). By using different logics of methodologies, I thus approached my central research question from different perspectives. The use of two different worldviews of research methodologies provided the opportunity to gather the necessary amount of information, to look at the problem from multiple angles, and to examine the phenomenon (phenomena) from *multiple perspectives*. The integrated or combined use of qualitative and quantitative data collection and data analysis is, according to Creswell, & Plano Clark (2018), a useful tool for exploring and investigating complex underlying research

questions and problems. The pluralism of methodologies allowed for a much better understanding of my research question than the use of any one method alone. There are several variations of the mixed research method, which can be tailored according to the research strategy. A critical element is the time taken to collect data, but the parallel application or well-organised sequencing of methods is less time-consuming as qualitative and quantitative data can be collected simultaneously and in the same field (Creswell 2014, p. 230).

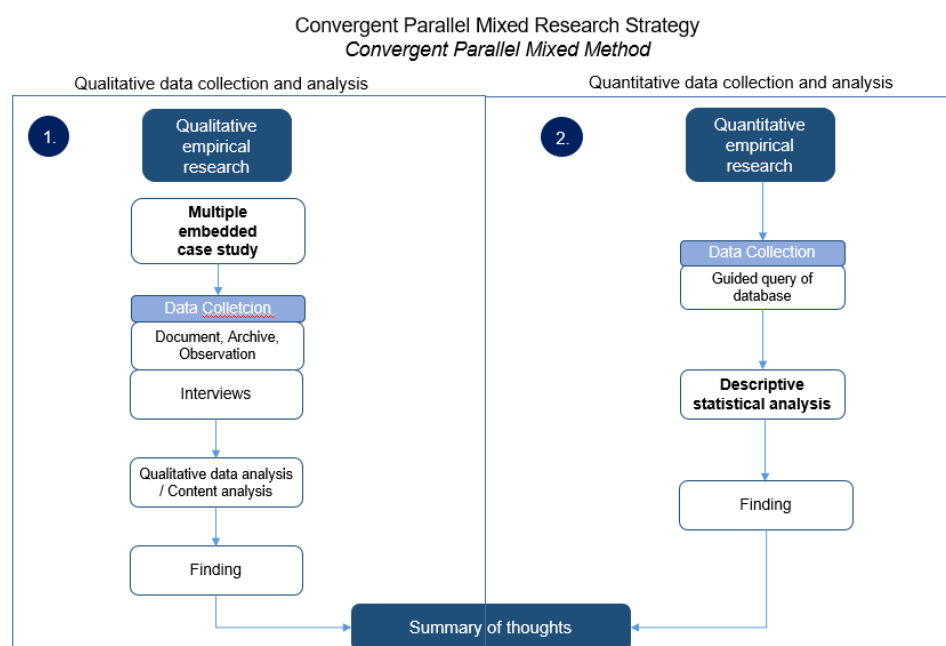
5.1. Position in the philosophy of science. The research strategy

The opposing philosophies of science behind the qualitative and quantitative methodological approaches are defined by different understandings of the world (ontology) and of the acquisition of knowledge (epistemology). The ontological and epistemological differences result in different paradigm systems (worldview, theoretical conceptions and technical approaches) and determine the nature of the research methodology. The underlying philosophical understandings, ontological and epistemological distinctions, pit the two methodologies, qualitative and quantitative research methods, against each other and lead to a war of paradigms (Mitchell, 2018), or at least to mutual exclusivity (Azorín, & Cameron, 2010). The quantitative realist worldview (ontology) assumes the objectivity of the existence of an independent external world and a top-down deductive process of knowing the world (epistemology) - hypothesis generation, hypothesis retention or rejection. In contrast to the interpretive and constructionist worldview based on qualitative idealism, according to which reality is a function of perception and interpretation. There is no reality independent of human cognition and, consequently, reality can be cognised in a bottom-up inductive way. The perceptions of the external world form the patterns from which theories are constructed. This leads to the dichotomy of the two paradigms and methods.

The philosophy of science underlying mixed research methods can be (1) pacifist, which asserts the compatibility of philosophical paradigms and methodologies, (2) independent of philosophical paradigms and methodologies (research method is independent of epistemological and ontological assumptions), or (3) adopting a multiple worldview (Azorin, & Cameron, 2010). An approach that employs multiple worldviews can be (1) dialectical, where multiple foundational positions are applied to the research simultaneously, or (2) best-paradigm, i.e., a philosophical paradigm that underpins the mixed research as a whole (Azorin, & Cameron, 2010). A *pragmatic* philosophy of science approach starts primarily from the research question, the central phenomenon. What is it and how can the phenomenon be investigated? It considers any method that can provide a valuable answer to the research question as important. He rejects the forced choice between positivism (postpositivism) and interpretivism/constructionism, and his main principle is that qualitative and quantitative methodologies complement each other effectively (Johnson, & Onwuegbuzie, 2004, Azorin, & Cameron, 2010, Mitchell, 2018). My research philosophy of science is pragmatic. I believe in *the compatibility* of philosophical paradigms and methodologies, whose weight (priority) is determined by the research questions posed to the central phenomenon of research.

My research strategy is based on my pragmatic philosophy of science, which combines deductive and inductive cognition, cross-sectional research (conducted at the same time), mixed method research based on case studies and descriptive statistical analysis based on database-driven queries (see Figure 43).

Figure 43: The research strategy used



Source: own editing

5.2. Mixed research methodology

I have examined the functionality of fiduciary asset management in transgenerational wealth transfer through two phenomena, the indicators that determine the process of wealth transfer and the characteristics of the assets managed. Given the complexity of the topic, I used *the Convergent Parallel Mixed Method* (Creswell, 2014)⁷³ (see Figure 43!) The rationale for this choice was that (1) due to the nature and complexity of the topic and the relatively young institutional set-up of fiduciary asset management, the two methodologies could generate primary data in a complementary way (rather than one underpinning the other); (2) there is no published data, or the data are not public, but confidential. Fiduciary trust contracts are not publicly recorded by the MNB. (3) Due to the confidentiality of the data, the availability of empirical quantitative data was limited, but primary data could be extracted from databases by targeted queries. (4) Due to the limited availability of data, inductive inference could be drawn by processing well-chosen cases (drawing a general conclusion from a specific, particular situation).

Qualitative and quantitative research approaches could be conducted in parallel through well-chosen case studies and targeted queries of databases. Therefore, the qualitative approach and inductive inferences were used in parallel with the collection and processing of quantitative data. Subsequently, the data collected were 'triangulated' so that the data collected by each method complemented each other and also helped to process and interpret the data and information collected by the other method (Creswell, 2014, p. 15).

⁷³ The main mixed research methods are: 'Convergent Parallel Mixed Method' - a convergent and parallel mixed research strategy; 'Explanatory Sequential Mixed Method' - an explanatory and sequential mixed research strategy; 'Exploratory Sequential Mixed Method' - an exploratory and sequential mixed research strategy (Creswell 2014).

5.3. Case study research

My research question is mainly asking *what* ("*what factors*"). The phenomenon of fiduciary wealth management as an observation of transgenerational wealth transfer patterns does not generally provide opportunities for pre- and post-testing of the competent variables (temporal variation), nor for testing and controlling (spatial variation), holding all other conditions constant (Gerring, 2007, p. 172). In such circumstances, case study research should be used (Yin, 2003, Gerring, 2007). On the other hand, the questions "what" can be exploratory, in which case any research strategy can be used (Yin 2003, p. 7). A case study is an empirical investigation "that (i) examines a phenomenon in its real context, especially when (ii) the boundaries between phenomenon and context are not clear " (Yin 2003, p. 13). Case study research is able to deal with the particular situation (i) in which there will be many more variables than data points, and therefore (ii) it relies on more sources of evidence, where data must converge in a triangulation fashion, and (iii) it has the advantages of data collection and analysis that follow from the prior development of theoretical propositions (Yin, 2003).

Additional circumstances justified the use of a *case study* research strategy. In 2018-19, I was fortunate enough to be involved in the non-business trust administration of a group of companies owned by a businessman in Hungary's Forbes Top 100. This particular case provided me with the opportunity to fully explore, interpret and systematise the process of setting up a trust and to follow the operation of the assets under management in a trans-generational wealth transfer situation. I used my experience there to develop my research approach. In order to avoid one-sidedness and to ensure *self-reflection* (the 'closure' of prior knowledge - *epokhé*), I considered it important to allow sufficient time to elapse from the date of my active involvement and to ensure objectivity⁷⁴. In addition, I managed to collect data from other actors involved in the topic. This, while respecting my ethical standards, provided me with security in case the use of the data already processed was subsequently restricted, and also gave me the opportunity to crystallise my ideas (Horváth & Mitev, 2015, p. 73). Instead of a single case based embedded case study, and since the institutional implementation of fiduciary asset management in Hungary is still relatively new, I chose the Embedded, Multiple-Case Study research. The use of multiple embedded case studies was also justified by the risk of limited availability of additional data sources beyond the interviews⁷⁵. I placed particular emphasis on content analysis and aggregation of interviews after theoretical saturation had been achieved in the qualitative data analysis.

In my thesis, I tested the research question and the formulated propositions with multiple, embedded case study research because (1) more in-depth and detailed (analytical) information can be gathered from the study of multiple cases; (2) the probability of the study being successful is higher. (3) The conclusions of the analytical study of multiple cases are more convincing and (4) they are more suitable for drawing common conclusions and generalization (Yin, 2003, p. 53-55). The subject of this study is the fiduciary asset management (trust wealth management) as a form of transgenerational wealth transfer. In each of these cases, I observed the wealth transfer process and *three levels*: the incumbent (trustor) level, the beneficiary or heir (successor) level, and the trustee and corporate level.

⁷⁴ The time between my involvement and conducting the research was about three years.

⁷⁵ Neither the identity of the settlor nor the beneficiaries can be traced in the annual accounts of the trustees. The trust deeds and supplementary information are not publicly available in the registers of the Magyar Nemzeti Bank. Records of assets under management and information on asset management are often not even available to beneficiaries in detail and directly.

5.3.1. Sampling

In my research, I followed the principle of *purposeful* (rather than random (or large)) *selection* (Creswell, 2014, p. 189, Horváth & Mitev, 2015, p. 138). The sampling is purposive, the selection of cases is based on a theoretical sample. It should be able to contribute to the field I am investigating (Horváth & Mitev 2015, p. 139) and include typical and atypical situations and cases. I planned to conduct my research by using the *four to five case* study research strategy (Creswell, 2014, p. 189) and by processing the collected data based on *qualitative data analysis*. Due to the novelty of the institution of fiduciary trust management and the hidden nature of the cases (limited availability of information), I envisaged that for exploratory qualitative research purposes, I would need to use the method of interviewing and *content analysis* conducted as part of the case study to emphasise the theory building in some cases.

I plan to expand the sample size to *theoretical saturation* (Horváth & Mitev, 2015, p. 49, Creswell, 2014, p. 139). I assumed that the theoretical saturation could be reached by conducting several interviews, in-depth interviews, because (1) the topic, the research problem is new in the Hungarian economic-legal system; (2) there are no cases described; (3) due to my personal involvement, I can increase the *closure* - the closure and filtering of my prior knowledge - by sampling. (4) The institution of fiduciary trust is not only a new institution, but a complex one. (5) The subjects, families and firms potentially involved in the application of such an institution are heterogeneous, where uniqueness is the characteristic. I therefore assumed that theoretical saturation would be achieved over a longer period of time and on the basis of several interviews. I made a preliminary estimate of *three to five cases*, due to the significantly different succession situations, cases and the cooperativeness of the stakeholders. In each case I planned to observe three levels, the trustee, the beneficiary (heir/successor) and the trustee (corporate) level.

According to Miles and Huberman (1994), *sample selection* is influenced by (1) location, (2) actors, (3) event, and (4) process. I designed to select firms and individuals that best contribute to my understanding of the fiduciary trust formation and its functionality in transgenerational wealth transfer, the problem, and the research question. I planned to select cases that would allow me to understand, compare and analyse the problem from different perspectives (purposeful sampling), and contribute to my theoretical assumptions (Horváth & Mitev, 2015, p. 138, Creswell, 2014, p. 189). For my research, I intended to select privately held (family) private companies where

- the transgenerational transfer of assets has already taken place, and the incumbent has already completed the transfer of the company into trust;
- based on the size of the enterprise, its corporate structure and the characteristics of the owner of the enterprise, there is a high probability that a transfer of wealth (succession) has already started or is likely to start in the near future;
- the companies (group of companies)/assets entrusted to a trust are managed by a separate legal entity (trust).

I selected businesses, as well as people inside the organisation (managers, staff) and outside the organisation (family members) to include in the sample those who are involved in the establishment or operation of trusts. They may have relevant information and be able to contribute to the understanding and interpretation of the institution.

In the case of multiple, embedded case study research, I decided on the sample selection and *interview preparation* based on the criteria of Miles & Huberman's (1994) sample selection

typology (Miles & Huberman 1994, p. 28). The relevant (family) businesses in the sample are: (1) Maximum variation (maximum variation) to identify differences and commonalities; (2) Homogeneous because they are concerned with the same problem, the succession situation; (3) Theory based because they seek examples of theory and thereby clarify and refine it; (4) Confirming and disconfirming cases because they represent differences and variations. (5) Snowballing or chaining, because it aims to find information-rich cases. (6) Intense, because they are information-rich cases that nuance, enrich, explain but do not distort the central phenomenon. (7) All cases that meet some criterion are useful in terms of qualitative certainty. (8) Combined or mixed because they provide opportunities for triangulation, flexibility, and multiple needs and interests (Miles & Huberman, 1994, p. 28).

I started my case study research in the summer of 2022, at the family business where I had previously been involved in parts of the design of the trust's operating model. Since three years had passed between my involvement and the start of my research, the conditions for an objective approach were given, avoiding one-sidedness and self-reflection ("bracketing" of prior knowledge) was assured. I conducted twelve interviews at three levels of observation. Besides the trustee (incumbent level), I interviewed six beneficiary persons (successor/inheritor level). Five persons at the trustee and corporate level, members of the board of directors of the trustee and the CEO of the group. My empirical research had to be interrupted after the full investigation of this first case, due to the unexpected onset of a prolonged, serious and life-threatening illness. I was only able to resume further case study research in 2024. In selecting the further case study, I considered the following criteria. (i) The structure and operation of a trust for the purpose of a transgenerational transfer of assets is sector and size neutral. The application of trusts does not have the specificities of the industry sector associated with family businesses, nor the size and corporate structure of the structure. (ii) The assets under management created in the transfer of wealth are given their own tax number under the applicable legislation in Hungary and are subject to separate corporate tax. Assets managed under a trust management agreement (Article 2(6) of the Tao Law) are considered to be resident taxpayers and are entered into the public database of the tax authority (NAV). From this database, fiduciaries with legal personality can be identified. (iii) Cases were identified and selected through law firms, consultancy firms or fiduciaries operating on a commercial basis who are actively involved in the development of such arrangements. (iv) I was also assisted by recommendations from the fiduciary where I had previously been involved as a consultant in the development of the operating model for the fiduciary.

According to Yin (2003), the logic of using multiple case studies is replication logic. Each case must be carefully selected to (a) predict similar outcomes (literal replication) or (b) predict contrasting outcomes but for predictable reasons (theoretical replication) (Yin, 2003, p. 47). In my thesis, I analyzed in detail four cases of the construction of a transgenerational trust for the purpose of succession of family businesses as literal replication.

In the first case ("A"), the (family) business was formally placed in trust. The trust is managed by a separate legal entity. The successors (heirs) have become beneficiaries and are not yet involved in the management and operation of the business, or only on an ad hoc basis. The assets under management are organised in a holding structure comprising several separate legal entities and six separate branches. The fiduciary management structure had already been in place for five years prior to the interview, and therefore sufficient experience of the fiduciary management activity had been accumulated. Prior to the trust deed, the family constitution was declared by the trustee, which prescribes the behavioural and moral standards towards the

beneficiaries (family members) and defines the framework for the family's operation outside the estate (company) (beneficiary council, family council).

In the second case ("B"), after the business was placed in trust, a portfolio change in the assets under management took place immediately for tax optimisation reasons and because of the disinterest of the successors (heirs). The (family) companies in the assets under management were exchanged by sale for monetary assets by the trustee, who is the settlor. Beneficiaries were designated in the second (cousin) generation, leaving out the first (sibling) generation, in accordance with the conscious inheritance intentions of the settlor. The trust was established by a notarial trust for a period of fifty years, primarily for the purpose of providing for and holding the assets together until the objectives set out in the trust had been achieved.

In the third and fourth cases ("C.1.", "C.2."), the trust is established and operated by the same group of companies owned by the partner owners. The trustees have minority shareholdings and the trust is established and continued on a rolling basis in five-year cycles by a notarised trust deed. The difference in the two trusts lies in the beneficiaries and the appointment of "replacement trustees" (in the event of the death of the settlor) and the distribution of assets at maturity. The purpose of the trust was twofold, in addition to the regulated transgenerational transfer of assets, it was also intended to create optimal corporate financing structures and to optimise tax.

In the fifth case ("D"), the succession to the family business is "split". The business of the family business is transferred by succession by designation, by naming a specific heir, and by transferring or assigning the ownership and management positions. In the second branch, a transgenerational transfer of assets from the family business to the successors (heirs) has taken place by extracting the assets accumulated since the foundation of the business in the form of a trust. The beneficiaries are the owners of the separate legal entity trust in equal shares. The trust was set up for the priority assets by a trust deed for a period of fifty years, with the aim of keeping the family assets together (sustainability) and caring for the successor generation. Following the start of operations, the need arose for a family constitution (founding resolution) expressing the philosophy of the incumbency, which is currently being drafted.

In the sixth case ("E"), the trust was related to the division of a jointly owned family group of companies (not structured as a holding company) owned by brothers. The purpose of setting up the trust was initially transactional, to manage the separation and to optimise tax. Once the arrangement was established and the incumbent's 'grandfathered' group of companies began to operate in the managed asset portfolio, succession, transgenerational wealth transfer, sustainability and stewardship became a priority. The designated successors (heirs) are gradually being involved in the management and operation of the business. Trusts take the form of notarised trusts on a rolling basis for five-year cycles.

The six cases of the construction of a trust for the purpose of transgenerational wealth transfer related to the succession of (family) businesses are summarised in the following figure (See Figure 44!).

Figure 44: Cases included in the empirical research

	Attribute	"A"	"B"	"C.1."	"C.2."	"D"	"E"
Settlor	Proportion of family ownership in corporate* before trust agreement **	95%	100%	20%	20%	90%	50%
	Influence of Settlor in corporate management before trust agreement	100%	100%	100%	100%	100%	100%
	Date of the trust agreement	2016.	2019.	2016.	2016.	2019.	2019.
	Corporate structure of the assets (corporates) under trust agreement	Holding	monolithic	corporate group	corporate group	monolithic	corporate group
	Position of the settlor before the trust agreement	CEO	CEO	Man. Director	Man. Director	Man. Director	Man. Director
	Position of the settlor after the trust agreement	Member of the Supervisory B.	no	Member of the Board of Dir.	Member of the Board of Dir.	Managing Director	Managing Director
Asset managed	The value of the asset portfolio at trust disposal***	45 HUF billion	700 HUF M	1,4 HUF billion	1,4 HUF billion	4 HUF billion	6,7 HUF billion
	Number of companies (approximately) in asset managed (portfolio)	77	monetary instruments only	3	3	2	5
	Industry diversification of managed assets (company).	high		low	low	low	medium
	The industry of companies under management	4		2	2	2	3
	Size of the companies (annual sales revenue) of to the managed assets	200 HUF billion		3,5 HUF billion	3,5 HUF billion	17,7 HUF billion	14,8 HUF billion
	Legal form of the asset manager (trustee)	Ltd.	Ltd.	private person	private person	Ltd.	private person
	Management form of the asset manager	Board of Director	one-man	Settlor	Settlor	member assembly	member assembly
Beneficiary	Number of the beneficiaries per the trust agreement	7	5	6	5	3	3
	The number of legal heirs of the property owner (settlor)	5	2	4	3	3	2
	Legal capacity of the beneficiary successor at the asset order	limited	limited	complete	partially limited	complete	complete
	Age distribution of the beneficiaries at the time of the asset order	8-16 / 50-63	10-15 / 60-65	22-38 / 65	12-37 / 65	32-39	37-41 / 65
	Existence of a Family Constitution at the time of the property order	yes	no	no	no	no	no
	Family governing bodies ****	CST / KGY	no	no	no	informal	no

* Company (group of companies): the (family) company placed under asset management

** Fiduciary Asset Management Agreement concluded between the settlor and the asset manager

*** Aggregated non-consolidated (stand alone) equity values (Company Court database)

**** CST: Family Council. KGY: Beneficiary Meeting

Source: own editing

5.3.2. Data collection

The availability of primary data on trusts as a transgenerational asset transfer form *is limited*. According to the law (§ 19 Bvktv.), trust deeds must be registered with specific content⁷⁶, but their accessibility is strictly limited, except in cases specified by law for public authorities (Bvktv. § 29 (1)). Public data are only available for fiduciaries who are acting in a commercial capacity.

My chosen method to answer my research question is primarily case study research. A case study, according to Yin (2003), is an empirical study that "examines a phenomenon in its depth and real-world context, especially when the boundaries between the phenomenon and its context are not clear" (Yin, 2008, p. 13). The *variables of a phenomenon* are not predeterminable in their number and characteristics, and the context cannot be controlled under "laboratory" conditions. The existence and strength of the variables that appear in the phenomenon and the context cannot be predicted (Yin, 2003, Gerring, 2007). According to Yin (2003) case study research deals with the technically specific situation, in which there are many more variables than data points. It is based on multiple lines of evidence and the data must converge by triangulation. The subject, direction and process of data collection and data analysis are determined by the prior elaboration of propositions (theoretical theorems). (Yin, 2003, p. 13-14). The input variables for the application of trust wealth management as a transgenerational wealth transfer formulation are always case dependent and vary from situation to situation. The number of variables and the causal relationships cannot be assumed in advance. The process of asset management design and operation is characterised by the presence of multiple variables with different intensities in different cases rather than by the density of quantitative data points.

Throughout the qualitative data collection phase, I followed the criteria of *qualitative data collection*: (1) be valid, confirmed from multiple sides, (2) have internal (logical) validity, and (3) have external validity (generalizability). (4) Be reliable, because they will yield the same result even if repeatedly run (Yin, 2003, p. 34). In *collecting data for the case study*, I followed

⁷⁶ The register is kept by the Magyar Nemzeti Bank as the office specified in the Act (Bvktv. § 1 (b)).

the rules of data collection as defined by Yin (2003). (1) Use multiple data sources and "triangulate" the data. When "triangulating" the data, one can draw a conclusion⁷⁷. (2) A separate database is developed behind the case study. (3) Maintaining a *chain of evidence* (chain of certainty). It should be clear to an outside observer what the derived inferences are from the original research question to the final case study conclusion (Yin, 2003, p. 97-106).

In the case of multiple case studies, it is essential to use the *case study protocol* (Yin, 2003, p. 69). The protocol is designed to provide guidance on how to conduct data collection and also to increase the reliability of the case study research. In my research, I followed the case study protocol proposed by Yin (2003), which I applied separately for each case. (1) I conducted a preliminary review of the case (case study project) (objectives, questions, relevant literature, background information). (2) I developed the rules for field procedures and 'field' work (how to take memos, how to access the interviewees, how to collect data). (3) Prepared and developed the questions for data collection (general questions, specific interviewer-only questions, questions for all cases or for specific cases only, development of interview questions) (4) Determined the main characteristics and elaboration of the case study report (how to organise and present data, how to present documents).

5.3.3. Data sources

The claims (proposition) and proofs (deduction) of the phenomenon, the fiduciary form of transgenerational wealth transfer and its constituent parts, are based on data collected from the samples and data sources presented in this chapter. I used the following data sources from the case study data sources, documents, archival data, interviews, direct observations, direct experience, and physical evidence (Yin, 2003, p. 86).

5.3.3.1. Primary data sources

1) Interviewing

Personal interviews are one of the main sources of data in my research. I planned to conduct the interviews in a bound format, *following the structure and protocol* described by Yin (2003). (1) The case study should have a purpose. The aim is to investigate trust wealth management as a form of transgenerational wealth transfer. (2) There should be a strategy, procedure and reaction to the other party's behaviour for conducting the on-site interview. (3) There should be pre-designed questions and delimited topics. (4) The structure of the report and notes should be defined.

Selection of the organisation and interviewees

As a consequence of the multiple, embedded case study research, I wanted to investigate the selected research areas in (family) businesses in the context of separate case studies. Sites and people were selected using *the maximum variation sampling technique* (Seidman, 2006, p. 52)⁷⁸. When selecting the organisation, I followed the principle of purposeful sampling (Creswell, 2014, Horváth & Mitev, 2015). I will select organizations where the problem, the central issue (fiduciary asset management) can be examined from different aspects and the

⁷⁷ As opposed to the case where we have multiple data sources and the conclusions drawn from multiple data sources are compared, but the data are not "triangulated".

⁷⁸ The sample is representative of the population.

organization can be classified according to Miles & Huberman's (1994) typology of sampling strategies (Miles & Huberman, 1994, p. 28).

The interviewees were selected based on the principle of *purposeful* sampling to reflect the complexity of the organisation/institution and the heterogeneity of opinions and experiences. Both typical and atypical opinions are represented. *Competence* and *relevance* were important criteria. I sought to select subjects with relevant knowledge of the institution (the design and operation of the trust), ensuring that sufficient quantity and quality of information was available. The interviewees were selected to reflect the institution in its scope, vertically and horizontally (static), as well as in the process of its formation (dynamic). This made the phenomenon - the transgenerational transfer of assets as a fiduciary trust - well understood, meaningful and suitable for exploring, comparing, contrasting and systematising information. I conducted several in-depth interviews with the settlor of the estate, the incumbent (the founder-owner), the trustee of the estate and the beneficiaries, additional family members and representatives of the (family) business. Permission to conduct interviews was sought from the settlor and other interviewees.

The interview method

I used a semi-structured interview method with *open questions*. This interview method was the one that "opened up" the interviewee and gave the opportunity to quickly unpack and flow a large amount and quality of information content, while being able to keep the flow of information within a defined focus and framework. The use of a structured interview would not have given me the opportunity to explore the context in detail, and an unstructured interview would have been risky because of its informality and would not have ensured that I would have been able to get the subject's views on all the issues that were important to me.

I conducted the interviews *in triplicate*.

- In the first part of the interview, the role of the interviewee in the past, in the process of building up trusts and in the period before, was clarified and reviewed.
- The second part was to understand and analyse the role of the interviewee in the present operation, in the functioning of the institution used.
- In the third part, the interviewee's perception, evaluation and interpretation of the institution (fiduciary) was discussed (Seidman, 2006, p. 16-21).

To ensure a focused and efficient flow of information, I have planned *the duration of the interviews* to be one and a half hours (90 minutes). I have tried to document the interviews by appropriate means, preferably by audio recording or, where this is limited, by handwritten notes. I prepared verbatim written documentation of the audio recordings.

When determining the *sample size of the interviews*, I followed the principle of "conceptual power" (Constantinou et al., 2017, p. 575), have enough data and aimed to achieve it by taking into account the theoretical saturation described by Glaser & Strauss (1967). Therefore, I could not estimate the sample number precisely in advance, but in any case, I determined the saturation threshold (Constantinou et al., 2017.) to be reached, i.e. the threshold for the number of interviews, by taking into account (1) the repetition, the comparison of the interviews conducted with each other and (2) possible errors due to the order of the interviews. The data and information obtained during the interviews were analysed continuously. The number of interviews required was determined by when *theoretical saturation* had been reached, i.e. when

it was no longer necessary to conduct further interviews to interpret the research question under investigation, because further interviews would not have provided any new information. In view of the complexity of the enterprises to be investigated, I estimated in advance that I would need 3-4 interviews per evening.

The details of the interviews are summarised in Figures 45 and 46 (See Figure 45: "Levels of interviewing" and Figure 46: "Descriptive and summary table of interviews"). A total of 21 interviews were conducted for the six cases. The interviews were conducted in two phases, between August-November 2022 and May-June 2024, due to a forced interruption caused by my long-term illness. In each case, I sought to gather complete and thorough information by interviewing all three parties involved in the trust administration - the settlor, the beneficiaries and the trustee - and in some cases also the agents of the assets under administration, the corporate managers. If necessary, and if the time frame allocated was insufficient or if clarification of the information gathered was needed, I also conducted a second interview with the person concerned.

Figure 45: Levels of interview preparation

	1.	2.	3.	4.	5.	6.
Corporate / Family	"A"	"B"	"C.1."	"C.2."	"D"	"E"
Status	asset order by contract	asset order by notary	asset order by notary	asset order by notary	asset order by contract	asset order by notary
Interviewee						
Owner / Founder	✓	✓	✓	✓	✓	✓
Asset manager / Trustee	✓	✓	✓	✓	✓	✓
Family members	✓	-	-	-	✓	-
Management	✓	n.a.	✓	✓	✓	✓

Source: own editing

In case A, I was able to conduct the interviews in person. In cases "B", "C", "D" and "E" I could only conduct the interviews (due to my illness) via electronic means (Teams/phone). In all cases, however, I tried to use the camera in order to be able to use other sources of data related to the case study, the tool of direct observation and direct experience. I took notes during the interviews.

Figure 46: Descriptive and summary table of interviews

Case	#	Ref.	Interview type	Interview duration	Position	Age	Ownership/ Participation in Succession	Position in the company (in the asset managed)	Generation	Family role (status)
A	1.	A-22-01	Personal	2x 1 h 30 min	Settlor	60+	Owner	Supervis. Board, President	1.	Father
	2.	A-22-02	Personal	2x 1 h 20 min	Beneficiary	25-30	Heir	n.a.	2.	Son (adopted)
	3.	A-22-03	Personal	1 h 15 min	Beneficiary	30-35	Heir	Director of subsidiary	2.	Son (1st marriage)
	4.	A-22-04	Personal	1 h 25 min	Beneficiary	30-35	Heir	Director of subsidiary	2.	Son (1st marriage)
	5.	A-22-05	Personal	1 h 40 min	Beneficiary	50+	Heir	n.a.		Wife
	6.	A-22-06	Telephone/Messenger	1 h 10 min	Beneficiary	20-25	Heir	n.a.	2.	Son (2nd marriage)
	7.	A-22-07	Personal	55 min	Beneficiary	15-20	Heir	n.a.	2.	Daughter (2nd marriage)
	8.	A-22-08	Personal	2x 1 h 30 min	Trustee	60+	n.a.	Member of the BOD	-	-
	9.	A-22-09	Personal	1 h 30 min	Trustee	50+	n.a.	Member of the BOD	-	-
	10.	A-22-10	Personal	1 h 30 min	Agent	45-55	Manager	CEO	-	-
	11.	A-22-11	Personal	1 h 10 min	Trustee	45-55	Manager	Member of the BOD	-	-
	12.	A-22-12	Personal	1 h 25 min	Agent	50-55	Secretary of the Family Council	n.a.	-	-
B	13.	B-24-01	Teams	1 h 15 min	Settlor	65+	Owner Manager	Managing Director	1.	Father / Grandfather
					Trustee					
					Beneficiary					
C.1.	14.	C-24-01	Teams	1 h 35 min	Settlor	65	Owner Manager	Managing Director	1.	Father
					Trustee					
					Beneficiary					
C.2.	15.	D-24-01	Teams	1 h 15 min	Settlor	65	Owner Manager	Managing Director	1.	Father
					Trustee					
					Beneficiary					
D	16.	E-24-01	Teams	1 h 05 min	Settlor	63	Owner Manager	Protector	1.	Father
	17.	E-24-02	Teams	1 h 15 min	Settlor	63	Owner Manager	Protector	1.	Father
	18.	E-24-03	Teams	1 h 25 min	Beneficiary	32	Heir	n.a.	2.	Son
	19.	E-24-04	Teams	1 h 40 min	Beneficiary	37	Heir Manager	Managing Director	2.	Son
E	20.	F-24-01	Telephone/Messenger	1 h 35 min	Trustee					
					Beneficiary	65	Owner Manager	Managing Director	1.	Father
					Settlor					
	21.	F-24-02	Teams	1 h 40 min	Trustee	65	Owner Manager	Managing Director	1.	Father
					Beneficiary					

Source: own editing

In the semi-structured interviews, I organised my questions around the central phenomenon of my research, trusts as a form of transgenerational wealth transfer, and grouped *them into themes*. I asked questions about the construction and long-term sustainable operation of a trust for the purpose of transgenerational wealth transfer:

- (1) related to the preparation phase (past and history),
- (2) the establishment (design process stage), and
- (3) related to the operation (current operational characteristics).

I have examined all three sections in two dimensions, (a) the family: settlor-incumbents and beneficiaries-inheritors, and (b) the assets under management: the components of the assets (business) and the sustainability of the assets (preservation and appreciation) (See Figure 47). I considered it necessary to develop the *interview line*, the interview guide, prior to the interviews. This guide was a list of *primary (main)* and *secondary (supplementary/ supporting) questions* organised around the research questions on the basis of which I planned to conduct the interviews. I used the questions as open-ended questions.

Figure 47: Interview line (interview questions and prompts)

INTERVIEW LINE (SEMI STRUCTURED INTERVIEW)		
THEME / PHASE	INTERVIEW QUESTIONS (Main question / 'leading' question)	SUPPORTING QUESTIONS (Semi-open questions)
(1) PREPARATION	<i>What were the reasons for choosing the fiduciary asset management (trust)?</i>	1. How did/does the family work? 2. How do you evaluate family relationships, your relationship with other family members? 3. How did you contribute to the preparation? 4. To what extent were additional family members (wife, dependents, etc.) involved? 5. To what extent do you consider yourself capable of managing the property (business)? 6. What extent do you think the other family members are capable of running the business? ...
	<i>What influenced the selection of the fiduciary asset management structure for the transgenerational asset (wealth) transfer?</i>	1. Why do you think fiduciary asset management (trust) was chosen? 2. In what form and how did the property (enterprise) work? 3. Who was in charge and how were the decisions made? 4. To what extent were additional family members (wife, descendants, etc.) involved? 5. What is the structure of the assets (company/group of companies)? 6. What factors depend on the success of the company's business? ...
(2) ESTABLISHMENT PROCESS	<i>In what steps was the trust asset management established?</i>	1. When and how did you find out the new family structure (council, constitution, etc.)? 2. What do you think is the purpose of setting up a family structure (council, constitution)? 3. How did you contribute to its creation? 4. Who participated and how in the creation of trust management? 5. How did the existence of the family structure influence the process of creating a trust? ...
	<i>What factors influenced the process and its time requirements?</i>	1. What organizational structure did the company operate when the trust was established? 2. What management and leadership characteristics did the company have? 3. How was the company organized when the process started? What had to be changed? 4. What is/was the importance of founder's personal knowledge in company's activities? 5. How was/is the transfer of knowledge linked to the incumbent solved/solved? ...
(3) OPERATION	<i>How and how efficiently the fiduciary asset management (trust) structure of transgenerational asset (wealth) transfer works (swot)?</i>	1. Who and how, in what structure, organizes (operates) the family? 2. How does the family work? How do you think it works? 3. How are decisions made? How do you rate the relationship between family members? 4. What is your relationship with the company? 5. What is your relationship with the asset manager? What is your opinion about it? 6. How do you evaluate the operation of the asset manager? 7. What information do you get and how often? 8. What effect did the introduction of trust have on ownership / corporate commitment? ...
	<i>What is the effect of trust management on assets (wealth)?</i>	1. Who and how, in what organizational form, manages the asset manager? 2. Who manages the company/group of companies and in what (organizational) form? 3. How do you evaluate the asset manager-family-company group relationship? 4. How do you evaluate the operation of the asset manager? 5. What effect did the trust have on the company's operation and efficiency? 6. What effects did the trust have on the operation of the business (organization)? 7. What is the impact of trust on long term operational sustainability of the enterprise? 8. What effect has the trust had on the value of assets (enterprises) since its introduction? ...

Source: own editing

I assisted the interview process by developing an interview *summary format* (See Figure 48). In addition to summarising the main features of the interviews conducted, this listed and marked the points and ideas that (1) were useful in answering the research question, (2) helped to explore, analyse and interpret the research question and crystallise the topic, and (3) the open points that needed to be clarified (until theoretical saturation was reached).

Figure 48: Interview summary table

Case	#	Ref.	Position of the Interviewee	Reason for selection	Time and duration of the interview	Location of interview	Main findings according to topic groups	Comment
A	1.	A-22-01	settlor	owner	2022.09.23. 2022.11.03. : 2x 1 h 30 min	head office	First, the family charter was drawn up The goal is sustainability across generations Caring for the future Let the next generation understand and engage	
	2.	A-22-02	beneficiary	heir	2022.09.13. 2022.09.23. : 2x 1 h 20 min	head office	He was not aware of anything, he was informed about the finished construction He was a minor when the construction was created	It would be nice to understand how it all works
	3.	A-22-03	beneficiary	heir	2022.09.27. : 1 h 15 min	head office	He was not aware of anything, he was informed about the finished construction	I have my own business
	4.	A-22-04	beneficiary	heir	2022.10.11. : 1 h 25 min	head office	He was not aware of anything, he was informed about the finished construction	I have my own business, I am not interested in the family company
	5.	A-22-05	beneficiary	heir	2022.09.23. : 1 h 40 min	restaurant	He was not aware of anything, he was informed about the finished construction He regretted that he was not included in preparation There is a conflict between the individual family members (1st and 2nd marriage).	The role of the family council is unclear
	6.	A-22-06	beneficiary	heir	2022.10.12. : 1 h 10 min	telephone / messenger	He was not aware of anything, he was informed about the finished construction He was a minor when the construction was created	He is not interested in the family business
	7.	A-22-07	beneficiary	heir	2022.09.23. : 55 min	restaurant	She was not aware of anything, he was informed about the finished construction She was a minor when the construction was created	
	8.	A-22-08	trustee	n.a.	2022.10.06. 2022.10.20. : 2x 1 h 30 min	head office	Several transgenerational alternatives were examined Long-term sustainability (and the mandatory legacy part) had to be addressed A system was developed to measure the value of managed assets	Some of the systems are still under development
	9.	A-22-09	trustee	n.a.	2022.10.24 : 1 h 30 min	head office	First, the family constitution was drawn up After that, the asset management contract	A legal document was needed because the charter is not legally binding
	10.	A-22-10	agent	manager	2022.10.21. : 1 h 30 min	head office	The corporate (asset portfolio) had to be reorganized A new management structure was established	
	11.	A-22-11	trustee	manager	2022.10.07. : 1 h 10 min	rural location	Asset management needs to be developed The relationship between the family and the asset manager needs to be improved	
	12.	A-22-12	agent	secretary of the family council	2022.10.13. : 1 h 25 min	rural location	There is a lot of conflict between family members The family council does not work effectively	It is necessary to improve the operation of the family and beneficiary council
B	13.	B-24-01	settlor trustee beneficiary	owner manager	2024.07.04. : 1 h 15 min	Teams	The goal is to trigger inheritance and a benefit that differs from the inheritance order None of the heirs was interested in continuing The trust was designed to expire Gives to third generation (skips sibling generation)	The family constitution or the importance of sustainability was not considered Determination of achievement and existential goals
C.1.	14.	C-24-01	settlor trustee beneficiary	owner manager	2024.07.11. : 1 h 35 min	Teams	Declaration of notarial property order There should be no conflict between family members None of the children are not interested in continuing The eldest son was appointed trustee There is no fixed benefit, only dividend income and distribution of assets	He did not think about knowledge transfer (generic-nontradeable). He did not think of an unexpected event (death, incapacity). Too short an asset management period for transgenerational asset transfer
C.2.	15.	D-24-01	settlor trustee beneficiary	owner manager	2024.07.17. : 1 h 15 min	Teams	Declaration of notarial property order Triggering inheritance, he wants to dispose of assets The primary goal is tax optimization, will be secondary Successor does not want to deal with management and corporate governance Passive asset management. The current wife was appointed as trustee There is no fixed benefit, only dividend income and distribution of assets	Family ties vary in strength He does not think of the property as a family company, but wants to dispose of it freely. He doesn't want active asset management Property order period (the duration of the fiduciary asset management period) is too short
D	16.	E-24-01	settlor	owner manager protector	2024.07.17. : 1 h 05 min	Teams	He only put monetary funds and real estate into trust Unlike the order of inheritance, a settlor wants to dispose exclusively of the property he has created Asset management is done separately, in an independent company The middle child was exclusively appointed to manage	A family constitution would be necessary. There is a demand for it The relationship between the children is good, but there are latent tensions He is not prepared for unexpected events (death, incapacity).
	17.	E-24-02	settlor	owner manager protector	2024.07.18. : 1 h 15 min	Teams	To strengthen the protector role In addition to family relationships, there should also be an economic community To unify the interests of the beneficiaries "The company gets the one who takes it further"	Middle child in privileged status Other beneficiaries became uninterested Middle child dominance
	18.	E-24-03	beneficiary	heir	2024.07.26. : 1 h 25 min	Teams	There is no structured concept for the operation of the asset manager He has no influence on asset management, his brother and father decide	Conflict is latent, then there is none if they are not talking about business You don't see what the asset manager makes a decision on
	19.	E-24-04	beneficiary trustee	heir manager	2024.07.30. : 1 h 40 min	Teams	He always wanted to be an entrepreneur, and he will carry on the family business He participated in the preparation of the fiduciary asset management contract There is no written investment policy related to asset management	Only one beneficiary decides on asset management The family company will be carried on and inherited exclusively by the same beneficiary Latent tension, future conflicts are possible
E	20.	F-24-01	settlor trustee beneficiary	owner manager	2024.07.19. : 1 h 35 min	telephone / messenger	Declaration of notarial property order The primary goal is tax optimization, will be secondary Trust did not make any significant changes in the management of the companies	The separation of a company group "turned over" into a transgenerational asset transfer Involvement of the next generation (younger girls) has started
	21.	F-24-02	settlor trustee beneficiary	owner manager	2024.07.29. : 1 h 40 min	Teams	"The whole trust needs to be reconsidered" "We should have a family constitution" There is no asset management structure Management of assets in an unchanged manner	Too short an asset management period for transgenerational asset transfer Insufficient preparation. At founding, the operating model was not considered

Source: own editing

In all cases, I start the interviews *with a cover story*. In the cover story, I informed the interviewee at the beginning of the interviews (1) the reason for contacting me, (2) what I wanted to do and for what purpose, (3) why I was contacting the person, (4) what resources he/she would need, (5) I assured him/her that the whole process and the information obtained would be used for scientific-research purposes only. I provided a general description of the purpose and content of the research to the trustee, trustor, managers and beneficiaries, informing them of the timeline, process and purpose of conducting my research. *In a separate consent form*, I asked for authorisation to conduct the research, to record the information obtained and to use it for research purposes (see Annex 1).

I considered it important to build a good interview relationship in order to conduct successful and useful interviews. In addition to introductions, the aim of the first meetings was to prepare for the interviews, to give a generous explanation of the purpose and reason for the interview, to build trust and to understand roles. This provided sufficient preparation time for those involved to be cooperative and open during the interview. Initial contact was made in person, by telephone or email. In all cases, the use of a credible cover story was a key success factor. I considered it important that the interviewee had a good impression of both the research and the researcher. I dealt with gatekeepers by (1) persuading them or (2) exploring alternative routes to the target. In my case, conducting a group interview (although interviewing is an extremely time-consuming process) was not seen as realistic or appropriate due to the 'hidden' (intimate) nature of trust asset management.

2) Documents

Documents were the other main source of data collection. Document analysis in combination with other qualitative research methods is commonly used as a triangulation tool, a combination of methodologies to study the same phenomenon (Bowen, 2009). I planned to combine document analysis with interview analysis as a triangulation tool. Document analysis, according to Bowen (2009), is a systematic process for reviewing or evaluating documents, both print and electronic (data). Documents contain text (words) and images that are recorded without researcher intervention (intervention). It takes many forms. Documents can be advertisements, attendance sheets and minutes of meetings, handbooks, brochures, journals, programmes of events, letters and memos, press releases, reports, survey data and other public records. Locations where documents may occur include libraries, newspaper archives and organisational or institutional files. The analysis process involves locating, selecting, evaluating and synthesising the data contained in the documents. Document analysis generates data - extracts, quotations or full texts - which are organised into main themes, categories and case studies through content analysis (Bowen 2009).

In connection with the transfer of the (family) businesses into trust management that are the subject of multiple embedded case studies I obtained the documents from the following sources. (1) For each firm, information on the firm was available in public databases (internet search). (2) In each case, official and freely searchable records were available (e-corporate register, e-report). I had access to and was authorised to access the privately owned database of Opten Informatikai Kft. from which additional data and documents (network of contacts, ownership structure, analyses) could be extracted. (3) In some cases, I had access to printed publications and publications on the assets under management (the companies) and on the process and possibilities of transgenerational asset transfer. (4) During the contacts and interviews, and subject to the appropriate confidentiality rules, I was able to obtain the asset management contract and the family constitution in some cases. (5) In one case, I was involved as an external

consultant in the development of the institutional framework for the operation of the trust following the transfer of the assets to the trust and the set of rules for the management of the portfolio of assets.

5.3.3.2. Secondary sources

3) Direct observations

Some relevant behavioural and situational circumstances can be used as a source of evidence. According to Yin (2003), direct observations can range from formal data collection to casual data collection. These observations can provide additional information about the research topic. Statements (propositions) may lead to questions that the interviewees cannot or do not want to answer (subject avoidance response). Sometimes, based on impressions and observations, the interviewer may be able to answer them after the interview has been conducted. Observations of the neighbor (additional stakeholders or those not directly involved) or a recording (photograph) of the scene may provide information that is not directly inferred from the interviews (Yin, 2003, p. 92-93).

4) Archive

Archival documents can be used in conjunction with other sources of information for case study research. The usefulness of archival documents, their suitability for research purposes, varies from case to case. Whenever archival data is available, the circumstances in which the data was generated and its accuracy must be examined. Archival data can be of both quantitative and qualitative types. Quantitative data can be subject to error and bias, and therefore it is always necessary to check reliability and accuracy (Yin, 2003, p. 88-89).

Archival data for the study of the functional form of trusts in the transgenerational transfer of assets were obtained from the following sources: (1) Public databases (e-corporate register, e-report) and closed databases available on a per-access basis (Opten Informatikai Kft.), historical data on the company (assets under management) and the trustee (annual accounts, company accounts, company data, etc.) were available in each case. (2) I had access to company websites, published books and printed and electronic publications on the forms of transgenerational asset transfers.

5) Direct experience

Personal involvement is a special case of case study data collection, where the researcher is personally involved in the topic under study (Yin, 2003, p. 93-94). In one case, I was personally involved in part because I was involved as a consultant in the development of the fiduciary's portfolio management scheme and rules for the trustee following the establishment of the fiduciary management structure. I have used my direct experience as a source of additional data, but only with an increased focus on self-reflection.

5.3.4. Data processing and analysis

For the qualitative research phase, I have identified the research method as the “*qualitative data analysis*” of the data collected and the *content analysis* of documents and interviews conducted. Content analysis of texts (“Qualitative Content Analysis”) can be appropriately used for content analysis of written texts recorded during interviews, conversations and other written texts

collected from other data sources because (1) it interprets texts based on their underlying content beyond their formal appearance; (2) systematizes them in order to (3) draw general (inductive) conclusions about their actual content; (4) draw from purposively selected texts or interviewees' statements; (5) seek to describe or group phenomena (Zhang, & Wildemuth, 2017.).

I planned to analyse the case study using a "*general analytic strategy*". The information obtained during the case study was systematically and analytically classified and categorised. I grouped the information and organised it by themes, categorised it, and reviewed the potential relationships between the data (flowcharting). I tabulated and examined the frequency and temporal occurrence of each event (Miles & Huberman, 1994, Yin, 2003, p. 109-111). My analytical approach was based on a "general strategy relying on theoretical propositions" (Yin, 2003). The use of a general strategy relying on theoretical propositions was based on the propositions derived from my research question based on the literature review. The purpose and structure of the case study was based on these propositions - the factors that determine the structure and functioning of the transgenerational wealth transfer trust form. The propositions shaped the data collection plan and defined the analytical strategy. Data analysis consisted of examining, categorising, tabulating, testing or otherwise recombining quantitative and qualitative evidence. Information collected using the case study method was prepared prior to analysis using data reduction, data visualization, data categorization and contextualization techniques (De Massis & Kotlar, 2014.). Data reduction involved selecting, focusing, condensing and simplifying the collected data to facilitate the analysis of case study evidence. By data visualisation I mean the creation of an organised and condensed layout of data (tables, figures). Data categorisation refers to the differentiation and disaggregation of information by category, and its regrouping and aggregation, allowing comparison and distinction. Contextualising data means identifying the relationships and connections between the information collected.

For a general analytical strategy based on theoretical assumptions, I used pattern matching and logic models (Yin, 2003, p. 116, p. 127). In pattern matching logic, the case study compares an empirical sample with a predicted sample. The logic model analytic technique pairs empirically observed events with theoretically predicted events, sequential stages. Another form of pattern matching. A logical model describes a complex chain of events over time, where events are causally related and the dependent variable in the previous stage becomes the independent variable in the next stage. In my research area - the design and operation of a transgenerational wealth transfer trust - I have not found an explicit model in the literature. Based on a literature review based on my own conceptual network, I was able to construct an implicit process model for the transfer of a family business into a trust, consisting of a sequence of steps and decisions (see Figure 42: Process model of a trust structure for succession of family businesses). This formed the predicted pattern for the sample fitting. The coincidence of patterns - the result of overlapping empirically observed events and predicted patterns - helped to confirm the internal validity of the case study.

I planned to process the *interviews* and documents using the *content analysis* research method. I used the content analysis method because I was looking not only for the formal and primary content interpretation of the texts, but also for the *structured context* behind the text. According to Krippendorff (2004), content analysis is a research method by which (1) replicable, interpretable, and valid conclusions and findings can be drawn from texts or other things with meaning (2) and their content (3) (Krippendorff, 2004, p. 18). In addition to narrative analysis explicitly based on text only research, where the analysis of formal text structure is primary,

content analysis interprets narrative in terms of quantitative analyses (occurrences) or the context of the text (qualitative analyses).

As verbal data communication was of particular importance in my research (interviews constitute a significant part of the raw data sources), I considered it important to analyse the content of the transcribed interviews (verbatim transcriptions) and narratives. This was also justified by the limited number and accessibility of documents related to the fiduciary trust form of transgenerational wealth transfer. I therefore had to base the bulk of my research on oral interviews and content analysis of transcribed (transcribed) interview transcripts (qualitative content analysis).

Qualitative content analysis is an integrated, summary view of a text and its context (content). Qualitative Content Analysis, according to Zhang, & Wildemuth (2017), goes behind the formal appearance of words and examines the "manifest" or "latent" substantive, objective content, meaning, schema in a given text. Four characteristics *distinguish* quantitative and qualitative content analysis: (1) quantitative analyses the number of elements in a text, while qualitative analyses the underlying content. (2) Quantitative is deductive, deduces more from less and tests hypotheses. Qualitative content analysis is inductive, understanding and interpreting themes and phenomena and drawing conclusions from them. (3) Sampling for quantitative is random and probability-based, while qualitative is characterised by purposeful selection. The representativeness of the cases analysed is not a necessary condition. (4) Quantitative analysis produces numbers that can be statistically analysed. Qualitative content analysis provides description, typology and opinion, interpretation. Qualitative content analysis focuses on the content that describes the phenomenon, rather than the frequency of occurrence of texts or text segments (Zhang, & Wildemuth, 2017).

Hsieh, & Shannon (2005) define three *approaches* to qualitative content analysis: (1) there is already a prior theory and resulting "codes" (directed content analysis); (2) the "codes" are generated from the text during content analysis (conventional qualitative content analysis). (3) Certain words are pre-counted and defined in the text for better understanding (summative content analysis). The aim of a *directed content analysis approach* is to conceptually validate or extend a theoretical framework. The relationship between the variables and the variables that follow from the theory is deductive (Mayring, 2000) and defines the initial coding scheme and the relationships between the codes. Guided content analysis begins by identifying and defining key concepts or variables as initial coding categories based on existing theory. This is followed by coding data collected primarily through interviews using open-ended and targeted questions with pre-defined codes. Data that cannot be coded will be assigned a new category or placed in a subcategory of an existing code. Because of my knowledge of succession and fiduciary asset management, I used the "*prior theory and resulting codes*" and guided content analysis approaches. On the basis of the literature review on the fiduciary trust structure of succession and my own thought network, I have defined the initial coding categories for the key concepts and variables of the process model for the succession of a family business to a fiduciary trust. (See Figure 42: Process model of the fiduciary trust structure for succession of family businesses.)

Qualitative content analysis of the interviews was conducted using a *deductive approach* (Mayring, 2000) and *Excel*. Mayring characterises qualitative content analysis as a systematic, 'step-by-step' process, where text is put into a model and analysed according to a set of rules (coding). I assigned codes to the text and its elements according to a pre-developed coding procedure. Classification categories and subcategories were defined and predefined, and then

the coding rules were set up. I performed the initial coding based on my literature review results and the process model I developed for the fiduciary asset management (trust) form of transgenerational asset transfer and the development of trusts. For the coding I developed a so-called "*coding guide*", which contained the names of the categories, the designations and their content definitions, and described the conditions and rules for coding them (See Appendix 2 - Coding Guide).

I conducted the qualitative content analysis in a sequential and building on Zhang, & Wildemuth (2017):

- (1) I wrote down in detail (verbatim where appropriate) the text of the interviews, which was a 'mapping' of the data and texts in written form (data preparation step);
- (2) I have defined and designated the (text) units to be analysed;
- (3) developed and set up the category and code system;
- (4) ran test encoding on test text to ensure consistency of encoding, modifying the encoding rules as necessary;
- (5) checked the consistency of the coding after the full coding of the texts was completed;
- (6) I have drawn conclusions from the coded data;
- (7) I have described and documented the results, the method used and the conclusions, so that the analytical procedure can be repeated.

5.3.5. Validity and reliability

To ensure the quality of the case study research, I used four tests, conceptual validity, internal validity, external validity and reliability (Yin, 2003, De Massis & Kotlar, 2014, Horváth & Mitev, 2015).

Conceptual validity

Conceptual validity provides the quality of conceptualizing or operationalizing relevant concepts (De Massis & Kotlar, 2014). To avoid subjectivity, I used three research tactics. First, I sought to triangulate data from multiple data sources (Yin, 2003). In the data collection phase, the collection and comparison of data ensured that the phenomenon under study in the research was analysed from multiple perspectives. This increased conceptual validity through convergence of hypotheses and confirmation of findings. According to Bowe (2009), a qualitative researcher should draw on multiple sources of evidence, at least two, i.e., seek convergence and confirmation using different data sources and methods (Bowe, 2009, p. 28). In my research, final correlations and conclusions were established through reflection and 'triangulation'. (See Figure 49: "Overview of the case study research"!) Secondly, I applied the principle of chain of evidence design and tracing in data collection to increase the reliability of the information. I aimed to ensure that the research included sufficient references to the case study database (interviews, documents, observations, etc.). I have precisely indicated the circumstances in which the evidence was collected (time, place, circumstances of interviews, etc.). I consistently followed the questions and procedures set out in the case study protocol. A third tactical tool was to share and comment on the report or parts of it with key 'data contributors' (Yin, 2003). Throughout the study, I made a constant effort to get feedback and verify information and data.

Internal validity

Internal validity derives from the triangulation of different types of evidence, how the circumstances under investigation may lead to other circumstances, and therefore the need to have a defensible chain of evidence to support the conclusions (Horváth & Mitev, 2015, p.147). Internal validity in the data analysis phase is the establishment of causal links between variables and outcomes (Yin, 2003, De Massis & Kotlar, 2014), whether the logical argument based on causality is convincing enough to justify the research conclusions. Three research strategies strengthen internal validity. First, the researcher should analyse the case study in a way that provides a plausible description of the case (explanation building). Causal relationships that demonstrate that the variables lead to the outcome should be identified. In my research, in each case, I examined both external (environmental) and internal (family, firm) variables to see how and to what extent they influenced the choice of a trust form of transgenerational wealth transfer. Second, the researcher should compare the actual observed sample (case) with the predetermined sample using sample matching. In my research, I built a process model of the fiduciary wealth management structure associated with family business succession based on a literature review using my own logic matrix based literature typology (see Figure 42). I compared each case to this sample (implicit process model) throughout the empirical investigation. Third, the comparison of each case studied (cross-case comparison) allowed me to verify and validate the results.

External validity

External validity is the generalizability of research findings beyond the cases studied (Horváth & Mitev, 2015, p. 147), the range to which the results of a case study can be generalized (De Massis & Kotlar, 2014). Case study research, in contrast to statistical generalisation, which draws inferences from observation to the multitude, makes analytical generalisations, where empirical observations are used to arrive at theoretical generalisations (Yin, 2003, De Massis & Kotlar, 2014). According to Eisenhardt (1989), the purpose of case study research can be descriptive, theory testing or constructive, and it provides clarification or new understanding of a phenomenon. Theory building is a bottom-up approach where the specificity of the evidence determines the generalizability of the theory. Two research strategies reinforce external validity. For multiple case studies, sometimes in an iteration process, the use of replication (reproduction) logic in building the theoretical pattern, while for single case studies, the use of theories or rival theories to achieve generalizability (Yin, 2003, De Massis & Kotlar, 2014). I investigated the fiduciary trust form of transgenerational wealth transfer and the transfer process through multiple case study research using replication logic across six cases. I tested the findings of the first case in the second and subsequent cases, increasing the supportability and external validity of the theory (implicit process model).

Reliability

Reliability is repeatability, which aims to minimise errors and biases in a case study. The aim is to obtain certainty that a subsequent researcher, following the same procedures as the previous researcher, will arrive at the same conclusions and findings. The focus is on the replicability of the case, not on the reproducibility of the results of one case in another case (Yin, 2003). Reliability refers to the adequate documentation of the processes so that the research can be replicated (Horváth & Mitev, 2015). Three research strategies increase the reliability of case study research according to De Massis & Kotlar (2014) in family business

research. The use of the case study protocol (overview, field procedures, case study questions, report structure), which provides traceability of the research procedures and approaches used. The use of appropriate data preparation techniques (data reduction, data visualisation, data categorisation and contextualisation), which increases the transparency of the research. The development of a case study database (notes, documents, tabular summaries, audio recordings) that makes the process explicit and reproducible, allowing the research to be replicable. In Figure 49 ("Overview of the case study research"), I provide a summary of the research methods used, the sources of evidence, the methods of analysis and the criteria for the validity tests. The general interview outline is presented in Annex 3 (See Annex 3 - Interview questions!)

Figure 49: Overview of the case study research

PROPOSITIONS	DATA SOURCES	DATA SOURCES	RESEARCH METHOD	VALIDITY
a.) Related to the preparation phase				
Proposition 1.a. (family characteristic) No potential successor with the right skills or motivation	Interview	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	Internal validity External validity Reliability
	Direct observation	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	
	Direct experience	Participation in an establishment of a fiduciary asset management (trust)		
Proposition 1.b. (family characteristic) Family members cannot agree on the transfer of property and the distribution of management positions in the company.	Interview	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	Internal validity External validity Reliability
	Direct observation	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	
Proposition 2 (company/asset (wealth) feature) The family business portfolio includes more than one company.	Documents analysis	e-corporate register, e-annual reports, primary data basis of OPTEN Informatikai Kft., named publication in books	Financial analysis	Internal validity External validity Reliability
	Archive	NAV data base. Articles in electronic data basis.	Financial Analysis Content analysis	
	Interview	Interviews with the incumbents, asset managers (trustee), corporate agents	(Qualitative) Content analysis	
b.) Related to the establishment process stage				
Proposition 3 (company/asset (wealth) feature) A holding company structure facilitates the transfer of assets.	Interview	Interviews with the incumbents, asset managers (trustee), corporate agents	(Qualitative) Content analysis	Conceptual validity Internal validity External validity Reliability
	Documents analysis	e-corporate register, e-annual reports, primary data basis of OPTEN Informatikai Kft.	Finacial Analysis	
	Archive	Tax Authority (NAV) database	Financial Analysis	
Proposition 4 (company/asset (wealth) feature) The degree of corporate professionalisation facilitates the successful completion of the establishment process.	Interview	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	Conceptual validity Internal validity External validity Reliability
	Documents analysis	e-corporate register, corporate's documents (SzMSz), Portfolio / Asset management regulation	Content Analysis	
Proposition 5 (company/asset (wealth) feature) The role of the general and non-tradeable intangible asset group in the business of the enterprise affects the financial and time resource requirements of the transfer.	Documents analysis	e-corporate register, e-annual reports, primary data basis of OPTEN Informatikai Kft.	Financial Analysis	Conceptual validity Internal validity External validity Reliability
	Interview	Interviews with the incumbents, asset managers (trustee), corporate agents	(Qualitative) Content analysis	
Proposition 6 (family characteristic) The existence and elaboration of a family agreement (constitution) reduces the financial and time resources needed for its establishment.	Interview	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	Internal validity External validity Reliability
	Documents analysis	Leaflets and other documents on international "best practice" of trust establishment process. Conference brochures and materials.	Content Analysis	
c.) Related to the operational phase				
Proposition 7.a. (family effect) The introduction of fiduciary asset management (trusts) reinforces the professionalisation of the family ownership subsystem.	Interview	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	Internal validity External validity Reliability
	Direct observation	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	
	Direct experience	Participation in an establishment of a fiduciary asset management (trust)		
Proposition 7.b. (family effect) The introduction of trust weakens the family corporate identity of family beneficiaries.	Interview	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	Internal validity External validity Reliability
	Direct observation	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	
	Direct experience	Participation in an establishment of a fiduciary asset management (trust)		
Proposition 7.c. (family effect) The introduction of fiduciary asset management weakens the ability to use family resources in the company for the benefit of the company.	Interview	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	Internal validity External validity Reliability
	Direct observation	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	
	Direct experience	Participation in an establishment of a fiduciary asset management (trust)		
Proposition 8.a. (corporate/asset (wealth) impact) The introduction of fiduciary asset management has a value-preserving and value-enhancing effect on the assets under management.	Interview	Interviews with the incumbents, asset managers (trustee), corporate agents	(Qualitative) Content analysis	Conceptual validity Internal validity External validity Reliability
	Documents analysis	e-annual reports, corporate's documents (SzMSz), Portfolio / Asset management regulation	Content Analysis Financial Analysis	
	Archive	primary data basis of OPTEN Informatikai Kft., Tax Authority (NAV) database	Financial Analysis	
Proposition 8.b. (corporate/asset (wealth) impact) The size and operation of at least one of the companies in the family business portfolio requires professionalisation.	Interview	Interviews with the incumbents, asset managers (trustee), corporate agents	(Qualitative) Content analysis	Internal validity External validity Reliability
	Documents analysis	e-annual report, primary data basis of OPTEN Informatikai Kft.	Financial Analysis	
	Direct observation	Interviews with the incumbents, beneficiaries (heirs), asset managers (trustee), corporate agents	(Qualitative) Content analysis	
Proposition 9 (company/asset (wealth) feature) The introduction of fiduciary asset management has a value-preserving and value-enhancing effect on the assets under management.	Documents analysis	e-corporate register, e-annual report, primary data basis of OPTEN Informatikai Kft.	Financial Analysis	Conceptual validity Internal validity External validity Reliability
	Interview	Interviews with the incumbents, asset managers (trustee), corporate agents	(Qualitative) Content analysis	
	Archive	primary data basis of OPTEN Informatikai Kft., Tax Authority (NAV) database	Financial Analysis	

Source: own editing

5.4. Quantitative research

In the quantitative independent research phase, I examined the form of transgenerational transfer of wealth, the subject of trust management, and the assets under management. The assets under management are the sum of the assets placed in trust by the settlor incumbent and are separate from the trustee's own assets. Under the Hungarian legislation in force, the managed assets created in the course of the transfer of assets are not a separate legal entity, but separate records must be kept for them (principle of separation of assets, Section 6:312 of the Civil Code). The managed assets are subject to the Accounting Act (Section 40/a and Section 50 (9) of the Tax Act). The Accounting Act classifies the assets under management as entrepreneurial assets, to which all accounting provisions applicable to entrepreneurs apply (Adorján, Lukács, Róth & Veit, 2017). The trustee has a reporting obligation (annual report) for the assets under management, but no disclosure obligation (e-report). However, according to the current tax legislation, the assets under management are assigned their own tax number, become a separate corporate taxpayer (Article 2(6) of the Tao Law) and are entered into the public database of the tax authority (National Tax and Customs Administration, "NAV").

In the quantitative research, the assets under management were examined through the analysis of the variables related to asset management and assets of the fiduciary businesses. I started from the assumption that fiduciary businesses are a subset of fiduciary businesses. If my hypotheses are true for the full set of fiduciaries, they must also be true for the subset of fiduciaries. By deductive inference, the statement can be reduced to a subset of fiduciary undertakings. I plan to carry out the proof by means of descriptive statistical analysis, comparing the characteristics of the two sets and the indicators derived.

There is no primary public data available on trusts, either on the assets managed or on the trustees. Although the Magyar Nemzeti Bank (MNB) keeps records on fiduciaries, access to these records is also restricted for research purposes. Only the catalogue of professional fiduciaries is directly accessible, but data on their portfolios can only be derived from secondary sources. With the help of my consultant, I was in the fortunate position of being able to retrieve specific data for the set of firms and criteria I had identified from the closed database of Opten Informatikai Kft. (OPTEN), which manages a comprehensive Hungarian database of company information. Therefore, I carried out my research by using (secondary) databases created from OPTEN's company information database by collecting data according to specific criteria. I identified the firms involved in asset management, defined the characteristics of the portfolios managed and drew conclusions on fiduciary asset management.

In addition to the personal characteristics of the transferor and the transferee (heir), the choice of the form of the transgenerational transfer of wealth is also influenced by the attributes of the property. In the course of the proof, I wanted to examine and confirm whether the size of the assets, their composition and the number of assets are related to the choice of the form of trust for the transgenerational transfer of assets. I have put forward two hypotheses to this end. The first hypothesis is that trusts increase the likelihood of adopting a transgenerational wealth transfer form if:

H1 The majority of the assets are shares (corporate investment, business).

In other words, trusts are an appropriate form of transgenerational wealth transfer if the majority of the asset(s) are equity (corporate investment). If the incumbent (settlor) has a business(es) as a significant part of its assets and wishes to provide for the succession and transgenerational

wealth transfer of the business(es) it owns and operates, then a trust may be an effective form of transgenerational wealth transfer.

According to the second hypothesis, trusts are an effective form of asset management following a transgenerational transfer of wealth because:

H2 In the case of fiduciary asset management, the portfolio of assets under management is dominated by corporate investments (shares).

In other words, the incumbent uses trusts as a transgenerational asset transfer institution for the realisation of succession if a significant (dominant) part of the portfolio (assets) of assets transferred into trust are companies and/or company shares.

Logical deduction of the proof of hypotheses

I planned to prove H1 along the following logical deduction.

- (1) Each managed asset is given a separate tax number and is recorded by the tax authority (NAV) in a public database ("NAV database"). The number of managed assets can thus be accurately determined.
- (2) From the list retrieved from the NAV database, fiduciaries with legal personality can be identified and filtered by name (the name of the assets managed). The selection of legal trusts is justified because (a) the presumed rational decision of the settlor is that it is the management of assets in a legal form that reduces the sustainability risk of succession to a business, i.e. the risk of a transgenerational transfer of assets. This avoids the risks inherent in the life situation of a natural person (incapacity, sudden change of capacity, death, etc.) (b) The institutionalised form of asset management leads to an organised and professionalised operation, ensuring the long-term sustainability of the (family) business. It is less risky and more reasonable to place the business/enterprise (assets) under the institutionalised management of a legal entity than under the management of a natural person.
- (3) A fiduciary with a legal personality may be a trustee carrying out its activities on a business or non-business basis (Section 3 (1) and Chapter IV of the Bvktv). Since the MNB database allows for the identification of fiduciaries carrying out business activities, fiduciaries carrying out non-business activities but with legal personality can be clearly identified by filtering them out.
- (4) Examination of the assets and structure of the assets held by the legal trusts identified from the list. The structure of the assets managed by the legal trusts is compared with the total number of trusts in the OPTEN company information database. The total population of trustees is the set of companies registered in the official database of the Commercial Court in Hungary on the reference date, and which have asset management as their main activity (total population).
- (5) Comparison of the characteristics of the two sets, the total pool and the legal entity trustees and their assets under management: (a) in terms of the number of asset items, the number of companies (investments, participations) under management, the average number of companies under management, and (b) the characteristics of the asset items and the pools (distributions, means, etc.). From these it is possible to infer the proportions of the size and composition of the assets, the numerosity of the asset items between two sets and the similarity of the two sets.

- (6) If we find that the number of firms, the number of holdings, is the determinant of the assets under management, then statement (H1) is true. It is deterministic if the numerosity of the asset items will be close to the average (mean) value of the total set of firms with assets under management. In other words, the research hypothesis is accepted if the statistical null hypothesis in support of it - the similarity of the two sets - is accepted.

I planned to prove H2 along the following logical deduction:

- (1) Assets under management are the sum of assets. An asset may be a thing, a right, a claim (Civil Code. 8:1 (1) and 6:310 (1)). The asset may also be a company, a share in a company, an ownership interest or a share of the settlor in a trust.
- (2) The assets under management have a metric, because the assets must be kept in itemised form with strict accounting and their value must be recorded separately and continuously (Civil Code § 6:312 and § 6:320).
- (3) Each of these assets has a value, a record value in the asset register. The value of an asset of a company, a shareholding in a company, is the value of the equity (the value of equity as a proportion of the subscribed capital) as shown in the registers (asset register) and derived from the accounting records.
- (4) In the case of a trust, the trustee becomes the owner of the company/share. This holding is not recorded in the trustee's books, because the assets under management must be kept in separate accounts, separately from the trustee's own assets (Civil Code, § 6:312). Direct and indirect ownership is not recorded either.
- (5) In a trust company, the trustee as owner is shown in the company law documents and in the accounting statements. The shareholding and its title are recorded in the registers of the court of registration and the trustee is registered as the owner (indirect traceability).
- (6) Direct and/or indirect majority influence over an asset (company/enterprise) may also be exercised through the direct and/or indirect exercise of control rights. That is, an officer and/or owner of the trustee may also be a direct senior officer and/or owner of the asset (company) being managed. This, in the form of indirect ownership, effectively constitutes direct ownership for the purposes of asset management.
- (7) The combination of the two approaches - (5) and (6) - will make it possible to determine the number of enterprises actually managed by the trustee and to provide information on the nature and size (value) of the assets managed. Both for the holdings held directly by the trustee but not directly in its accounts, but only separately (5), and for the holdings representing a controlling interest in the corporate asset (6), ratios and indicators (metrics) can be defined to express the value and size of the assets (per share of ownership) invested. These are subscribed capital, equity/ subscribed capital (ST/JT), assets/ subscribed capital (E/JT), assets/equity (E/ST).
- (8) An examination of the type and structure of the assets managed by trusts with legal personality. This is done by comparing the two sets, the subset of fiduciaries with legal personality, with the total set of fiduciaries in the OPTEN business information database (the full set). We look at the size, value and other characteristics of the portfolios and assets under management. The high value of the corporate stake in the assets, the high asset value of the investment, is indicated by the equity/equity (ST/JT) ratio, the asset/equity ratio, the asset/(trustee) stake ratio, etc. The comparison of the two pools and the indicators for the pools allow conclusions and statements to be drawn on the value of the assets/assets under management.

- (9) If there are significant holdings (aggregate value) in the assets under management, then statement (H2) is true. We find significant holdings in the assets under management if the ST/JT and other "value indicators" (ROA, ROE, OROA, etc.) per aggregate holding under management are close to, and similar to, the average of the set of "normally" asset-managed firms. In other words, the claim is proven if the average ST/JT and other value indicators of the whole set of asset management firms - per aggregate holdings (asset items) - are close to or similar to the average values of the ST/JT and other value indicators of the whole set of asset management firms. In other words, the research hypothesis is accepted if the statistical null hypothesis in support of it - the similarity of the two sets (similarity of distributions, rank sums or means, mode, median, averages) - is accepted.

5.4.1. Sampling and data sources

The initial assumption of the sampling was that the assets under management placed in trust are "hidden". Although it is given a separate tax number (from which certain conclusions can be drawn (e.g. which region it is located in), the size of the assets cannot be directly determined or identified from public sources. The assets under management are subject to the Accounting Act (Act C of 2000 on Accounting) and the trustee prepares annual accounts, but there is no obligation to publish them. If the assets held in trust are the assets of a company, the trustee, as it is granted ownership rights, must be identified as the owner (member, shareholder) in the company documents. In the trustee's accounting statements, the assets under management and the shares in the company that form part of them are not shown under fixed assets (participations) because the assets under management must be recorded separately from the trustee's own assets. However, in the company's share register (company documents) of the particular company of the assets under management, the trustee must be recorded as a shareholder (member). The size and composition of the assets under management can therefore only be inferred through direct and indirect trustee ownership. For this reason, the study required the construction of secondary databases, which resulted in a complete population. It was not necessary to examine a number of elements sampled from a given population, but a complete population constructed on the basis of selected criteria. The justification for examining the entire population was that (a) the number of fiduciaries and assets under management is still limited due to the relative newness of the institutional system; (b) the examination of the entire population increases the reliability of the conclusions drawn.

I identified the population to be tested on the basis of the following (sampling criteria).

- *MNB registration obligation*: fiduciary management (both business and non-business fiduciary management) is subject to a reporting and registration obligation;
- *TEÁOR classification*: an asset manager is required to define asset management as a principal activity in the statistical classification of companies (KSH TEÁOR);
- *Tax residence*: the assets under management are subject to separate tax residence for more than one tax;
- *Linkage networks*: the direct and indirect ownership structure of the enterprise, the degree of effective influence, the number, nature and ownership of the effective owners can be obtained through the linkage networks revealed by the databases;
- *Company Court Register*: in the case of a trust, if the trusted property is a business, the trustee will be the titular owner of the business;

- *Annual accounts*: if the asset under management is a business, its size (the size of the assets) can be known and inferred through the contact network;

Based on these criteria, a set of hypotheses can be generated on which to base hypotheses about the form of trust management and the nature of the assets under management in a transgenerational transfer.

During the research, I identified three *sources of data* where information on the persons involved in trust administration and the assets held in trust could be accessed. (1) The NAV database is public, and information on the assets held and the persons of the trustees could be collected. (2) Although the MNB's database contains information on assets under management and on trustees carrying out their activities on a business and non-business basis, only information on the identity of trustees carrying out their activities on a business basis was public. (3) The OPTEN company information system is a closed database. With the help of my lead consultant, I was able to access this database and interact with the company. From the OPTEN database, data on asset managers, assets under management and ownership structures and shareholdings were retrievable. The extent of actual ownership (influence) could be determined by querying the contact networks for research purposes on the basis of specific criteria.

5.4.2. Data collection

1) NAV data

The database available on the NAV website is a catalogue of assets under management, organised by tax number and the name of the assets under management. In the trust deed, the totality of the assets (transferred) by the trustee to the trustee, the "assets under management", are given a separate tax number under the tax laws in force. On the NAV website, under the menu "Databases": "Query taxpayers" and "Activity enquiries and NACE/TEÁOR calculator", under the sub-menu "Activities of partnerships" (<https://nav.gov.hu/adatbazisok/adatbleker/tevekenysegek-lekerdezese/tarsas-vallalkozasok-tevekenysegeinek-leckerdezese>), 744 281 partnerships were listed as at 19.05.2023. In the query options ("Query"), the search criterion "assets under management" was entered. The query returned 490 results. The database, a list of 490 *assets under management*, could be exported to an Excel spreadsheet. The data table contained the 'tax number' of the assets under management and the 'name of the assets under management' (see Annex 4).

The database of *assets managed by legal trusts* was constructed according to the following criteria:

- (1) Download data on assets under management from the NAV website in Excel format on 19.05.2023. The download has resulted in a manifold of 490 assets under management (see Annex 4).
- (2) Sorting of data, assets managed by name.
- (3) Assets under management *are grouped* as follows:
 "VK": if the name of the trust property clearly indicated that the trustee had legal personality and the name clearly identified the legal personality (Example: "30543540-1-02 Property held in trust by Ever White Trust Ltd.")

"MK": if the name of the trust clearly indicated that the trustee was an individual (Example: "30543667-1-43 assets held by Dr. Erzsébet Antal trustee")

"NA": the name did not identify the identity and nature of the trustee (Example: "30532935-1-43 1/2021 Assets Under Management" or "30505838-1-42 ALMAFA Trust")

- (4) *Extension*. If the designation of the assets under management did not clearly identify the legal personality of the trust, because the legal form of the trust company was incomplete or not clearly defined. However, from the description of the assets under management, it was possible to identify and establish, on the basis of a detailed examination, that the trust was managed by a company with legal personality. Identification was made by systematic and individual identification in the OPTEN and the registry databases and by classification in TEÁOR 64.20.

"KIT": if it was not clear from the name of the assets under management due to the absence of a designation of the legal form of the trust company, but it was possible to identify the trust company as a company (combined terms), as follows:

"1": there was a possibility of extension because it was clear from the identity of the name (OPTEN and the Companies Court database) and the activity classification TEÁOR 64.20 that the company was an asset management company (Example: "30724200-1-41 Control Capital Trust Asset Management Assets under Management" The identity of the name in the OPTEN and Companies Court databases clearly identified Control Capital Zrt. as an asset management company (64.20 asset management, holding).)

"0": there was no clear extension possibility because there was no name match at all, or in the case of a name match in OPTEN and company court databases, there were multiple occurrences in multiple company names (Example: "30646784-1-43 2/2022 Assets under management" no match could be identified. For "30534308-1-42 Assets Managed by ARX TRUST Trust" or "30498770-1-41 Assets Managed by ASGARD TRUST Trust", a match was identified, but there was no clear extension possibility because there were multiple occurrences of the same name in multiple company names in the OPTEN and Companies Court databases.)

- (5) *Narrowing*: if it is clear from the name of the assets under management that the assets under management are held by the same legal entity trustee, the items are merged and classified as one legal entity trustee (Example: "30571002-1-43 Capital Trust Trust Asset Management Ltd. Property managed by "30571019-1-43 Capital Trust Trust Asset Management Ltd.", "Property managed by "30513907-1-43 Capital Trust Asset Management Ltd.", "Property managed by "30513914-1-43 Capital Trust Asset Management Ltd." and "30513921-1-43 Capital Trust Assets 3." are classified as assets managed by a single legal entity (Capital Trust Fiduciary Trust Ltd.).)
- (6) *Correction*: finalisation of coding and group (set) training. Correction (addition) of the group of trustees who administer the trust with legal personality (in the form of a trust with legal personality) if there was a possibility of extension ('KIT' and '1' criteria together) and/or narrowing down due to multiple name identities.
- (7) *Creating a database*: the primary database on which further analysis is based. Based on a systematic and individual analysis of the assets under management, the following database and its characteristics have been compiled (see Figure 50: Classification of assets under management by trustee quality (type)) From this, the set (list) of fiduciaries (trustees) who carry out trust management in the form of a legal entity was defined as "corporate fiduciaries". 109 legal trusts were identified, representing 22% of the total assets under management.

Figure 50: Classification of assets under management by type of trustee

Asset Managers (Trustees)					
Legal form of the asset manager	"VK" legal entity	"MK" private individual	"NA" can't be identified	SUM	"KIT" expansion / narrowing
Number of managers	100	208	182	490	
Distribution	20%	42%	37%		
Correction (based on expansion)	13		-13		13
Narrowing (due to same name identity)	-4				-4
Corrected number of managers, SUM	109	208	169	486	
Distribution (corrected)	22%	43%	35%		

Source: own editing

2) OPTEN database

Through my lead consultant, I contacted the Strategy Director and Senior Research Associate of OPTEN Informatics Ltd. in May 2023. Due to my long-term illness, the meetings took place electronically via the Teams application. During the first meetings, I presented my research plan and objectives in detail, explained the nature of the data/variables required for the research and my ideas for the data collection approach. I was given unrestricted user access to the OPTEN closed database of company information in order to refine my data query requirements for the research based on the information available in the database. On 19.06.2023, I sent my information and data request letter to OPTEN (see Annex 5 - Information request sent to OPTEN!) I created a separate table of the data I wanted to collect and a detailed cover letter describing the search criteria and the fiduciaries in the NAV database for whom I intended to collect data separately. In the letter I requested the following information:

(1) *Asset management companies*. Information on firms engaged in the management of property as their principal activity (TEÁOR 64.20) as follows:

- the number of assets (assets under management/portfolio of assets) with a prior identification of direct and indirect ownership;
- determining the extent (%) of the holdings - the extent of the trustee's ownership in the asset - and the indirect (controlling) interest, taking into account the possibilities of chain-linking. For the asset items (participations) thus determined:
- the name of the holding, date of incorporation, number of employees, share capital and equity value, assets, balance sheet total, turnover data, operating profit, profit before tax and after tax (AEE, AE) and geographical location.

(2) *"Non-business trust companies"* (Trust companies that carry out their activities on a non-business basis)

In this part of the letter, I have provided an itemised list of the trustees for which I have requested information in a similar structure to the previous ones, but with separate highlighting. This list was a population of 109 items selected from the NAV database on the basis of the filtering criteria I had defined.

(3) *"Business trust companies"*

In the letter, I requested additional separate information on the list of commercially active fiduciaries available on 23.05.2023 by conducting a complex search on the MNB's

institution locator website at www.intezmenykereso.mnb.hu for the search results available on "type of institution"/"capital market"/"fiduciary".

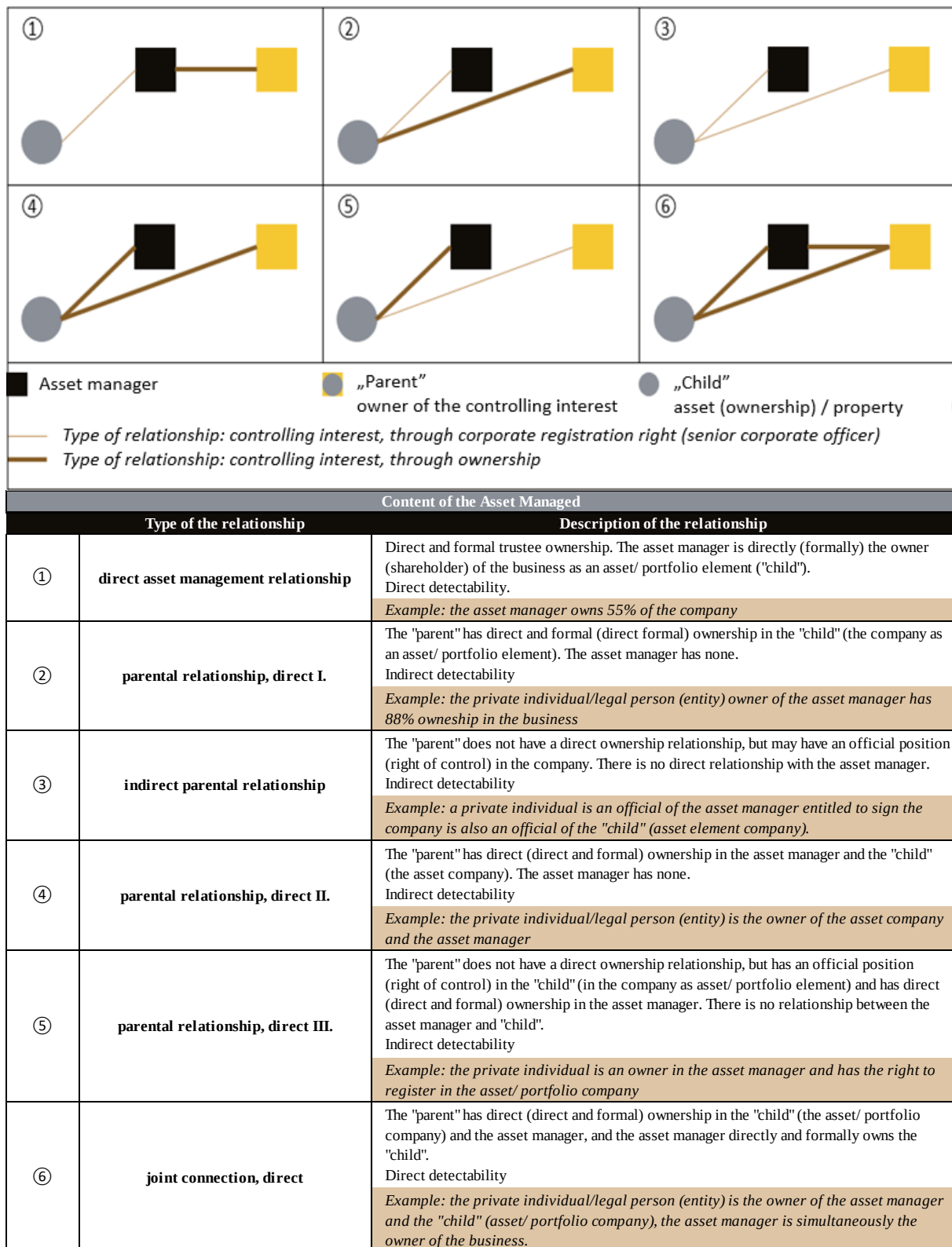
- (4) *Data table - Sample display.* As part of the letter, I have prepared and sent the sample data table file "6 DATA TABLES v2.xlsx". In it, I have provided details of what detailed data I consider appropriate to collect for the elements of the set (plurality) of (a) trust companies with the main activity of asset management (TEÁOR 64.20) and (b) trusts in corporate form (see Annex 5 - Request for information sent to OPTEN/Data table - Sample presentation). In the structure of the table, the asset management company - asset item(s) - asset item(s) characteristics has defined data on the size (size) of the asset portfolio under management, the number, value, composition and other characteristics of the asset items, following the breakdown logic. Multiple ownership and chain and/or composite ownership have been adjusted to the level of ownership in order to determine the actual fiduciary interest in the asset.

I received the answer to my questions (letter) from OPTEN on 25.07.2023. I received a detailed description of what data sets were compiled for me, with what data content, data building logic and modifications to the data building logic I had derived. Two databases were compiled for me.

- (1) *"a3.xlsx" database.* According to the data collection method presented on the worksheet "A3" of the sample data table ("6 DATA TABLE v2.xlsx") I sent and following the disaggregation logic "Asset management company - asset item(s) - asset characteristics", the database contained: (a) both the management of assets as a principal activity (TEÁOR 64.20), and (b) fiduciaries in the form of companies (according to the list of 109 items I provided).
- (2) *"kid_szulo_gyerek.xlsx" data file.* In this table, multiple ownership, chain of ownership, transfer and cross-ownership, and effective influence (control rights) are clarified, i.e. the actual and real ownership of the trustee in the asset (asset/enterprise) is specified. (In the table "a3.xlsx", the trustee ownership shares are already specified as the real shares according to the OPTEN linkage network). This data set shows and organises the relationship between the trustee - asset - controlling person (trustee owner, persons with signatory powers) and determines the trustee's actual (real) share in the asset (the trust company) using the OPTEN company relationship network. The relationship is shown in two ways:
- *Direct shareholding* (directly identifiable). When the trustee directly owns the enterprise. There is then an effective ownership relationship between the 'parent' and the 'child'.
 - *Sister relationship* (indirectly identifiable). In this case, the trust company is the beneficial owner of the enterprise through indirect relationships, so-called sister relationships. The relationship is established between the trustee, the 'parent' (the parent of the trustee) and the 'child' (the other individual of the asset) (See Figure 51: Possible effective ownership links between parent, trustee and 'child' (the asset)).

The effective degree of influence (the size of the effective ownership interest) is defined as 100% above a (direct) interest in 50% of the asset, while in the case of an indirect relationship (sibling relationship) between the trustee and the asset, it is defined as the parent-trustee relationship multiplied by the parent-asset relationship. The actual ownership shares thus determined are shown in table "a3.xlsx" as trustee ownership shares.

Figure 51: Possible effective ownership links between parent, trustee and "child" (the asset)



Source: OPTEN and own editing

5.4.3. Data processing and analysis

In order to test the functionality of the transgenerational wealth transfer fiduciary asset management form, I conducted an analysis and tests of the hypotheses for the assets under management by means of two data tables compiled on the basis of the variables I defined. By comparing the asset portfolios of legal person fiduciaries engaged in non-business activities and asset managers engaged in asset management as their main activity (TEÁOR 64.20). The data tables contained a range of nominal (binary) and scale variables, structured to allow for analysis and comparison of the assets under management. Given the multiple leverage ownership and direct-indirect ownership options, the critical point of analysis was to determine the actual stake (influence) of the trustee in the asset.

The first step was to determine the actual ownership role of the trustee, the actual influence in the asset. The data table "*child_childo_child.xlsx*" showed the direct and indirect, indirect ("sibling") relationships, the trustee's actual ownership (actual influence). The actual ownership relationships were defined up to the first relationship level - the trustee's direct and sibling relationship with the 'parent' and 'child' (see Figure 51!) The ownership (actual influence) shares (%) defined here were incorporated into the data table '*a3.xlsx*', which provided detailed information on the elements of the assets under management by trustee, broken down into the dual breakdown of the criteria I defined and the following:

- (a) information on *the trustees*: name of the trust company, tax number, date of incorporation, operational status (operating, in liquidation, in liquidation, etc.), the legal form of the trustee, and the number of assets managed by the trustee up to the first level of contact.
- (b) information (separately) on each *asset* held by the trustee: name of the asset company (company name), tax number, date of incorporation of the asset company, operational status of the asset company (operational, in liquidation, in liquidation, etc.), legal form of the asset, total effective influence of the trustee in the asset (%). Asset and financial data relating to the asset: subscribed capital, equity, fixed assets, balance sheet total, net sales, operating profit (EBIT), profit before tax (AEE), profit after tax (AE), etc.

In the framework of the "*a3.xlsx*" data table, I received from OPTEN a primary database with twenty-seven columns (variables) and 85 297 rows. After a systematic interpretation of the variables in the data table, I sorted the variables by type. By examining the data content behind the variables, I determined the set of variables and data relevant for data analysis. As a result of the content screening, I performed reclassifications, mergers and sorting as follows:

- in the columns 'source of trustee', the flags 'U: listed by client/ V: trustee by principal activity/ U,V: both/ blank: neither' were recoded as '1: trusts in the form of a company' and '0: firms engaged in the management of property (TEÁOR 64.20) as their principal activity'.
- for the variable "status of trustee", the classifications "1: Trustee in operation/ 2: Under liquidation proceedings in a court of law/ 3: Under liquidation proceedings/ 4: Under compulsory liquidation proceedings/ 5: Company dissolved" have been merged and categories 2-6 have been excluded from the data analysis, as only trustees in operation were considered.
- data are grouped by variables for 'asset holders' and 'asset items'.

Based on the variables and data aggregations (reclassifications) I selected, I created a secondary, "flipped" data table ("*SA.xlsx*"), which served as the basis for the descriptive statistical analysis. In the 'flipped' data table, I used the following discrete (categorical) and

continuous (metric) variables for the statistical analysis (see Figure 52: Variables of the own (flipped) data table created from the OPTEN database)

Figure 52: Variables of the custom (rotated) data table created from the OPTEN database

#	Name of the variable	Type of variable	
Variables of ASSET MANAGER / TRUSTEE			
1.	Tax number of the asset manager	discrete categorical	NOMINAL
2.	Name of the asset manager	discrete categorical	NOMINAL
3.	Type of the asset manager	discrete categorical	BINARY
4.	Year of foundation (registration) of the asset manager	continuous metric	INTERVAL
5.	Status of operation	discrete categorical	ORDINARY
6.	Form of the asset management	discrete categorical	ORDINARY
Variables of the ASSET / PORTFOLIO ELEMENT			
7.	Number of elements	continuous metric	INTERVAL
8.	Tax number of the asset	discrete categorical	NOMINAL
9.	Name of the asset	discrete categorical	NOMINAL
10.	Type of the asset	discrete categorical	BINARY
11.	Year of foundation of the asset	continuous metric	INTERVAL
12.	Status of operation	discrete categorical	ORDINARY
13.	Form of the asset	discrete categorical	BINARY
14.	Asset manager's ownership (nominal) in the asset	continuous metric	SCALE
15.	Asset manager's controlling interest in the asset	continuous metric	SCALE
16.	Share capital of the asset/ portfolio company, HUF	continuous metric	SCALE
17.	Year of the Financial Statement	continuous metric	INTERVAL
18.	Number of employees at the asset / portfolio company	continuous metric	SCALE
19.	Equity of the asset/ portfolio company, HUF	continuous metric	SCALE
20.	Value of the tangible assets at the asset / portfolio company, thHUF	continuous metric	SCALE
21.	Value of the current assets at the asset / portfolio company, thHUF	continuous metric	SCALE
22.	Total Asset of the asset / portfolio company, thHUF	continuous metric	SCALE
23.	Net sales revenue (thHUF). Size of business at the asset / portfolio company	continuous metric	SCALE
24.	EBIT (thHUF). Efficiency of the business operation at the asset/ portfolio co.	continuous metric	SCALE
25.	Depreciation (thHUF). Level of the obsolescence.	continuous metric	SCALE
26.	Profit before tax (thHUF). Profitability of the asset / portfolio company	continuous metric	SCALE
27.	Profit after tax (thHUF). Net profitability of the asset / portfolio company	continuous metric	SCALE

Source: OPTEN and own editing

In the data table, I have grouped the variables into two main groups, the variables relating to the 'asset manager' and the 'asset item'. Both groups are broken down by type of trustee, legal trusts ("1: Trusts in the form of a company") and enterprises engaged in the management of property in general ("0: Enterprises principally engaged in the management of property (NACE 64.20)") were primarily sorted ("SA1.xlsx", rotated data table, row 85297). The number of assets under management and the asset components of the asset portfolios and the size and characteristics of the assets were compared and analysed on this basis. (See Figure 53: Data analysis grid - derivation of data analysis relationships!)

Figure 53: Web of data analysis - derivation of data analysis relationships

Type of the Asset Manager	Variables for the comparison of the asset managed "1" : "0"
1: Fiduciary Asset Management (Trust) operating in the form of a company (separate legal entity)	1. Examination based on the complexity and/or size (ownership %) of the asset/ portfolio managed: (13.) (14.) és (15.) Narrowing: examination only for assets/ portfolio in operation: (12.)
	2. Examination based on the size and value of the managed assets (16.) (19.) (20.) (22.) (24.) és (28.)
0: Companies whose main activity is asset/ portfolio management (statistical code: TEÁOR 64.20)	3. Examined according to the business value (business size) of the managed assets. OROA. ROE. ROA. (16.) (19.) (20.) (21.) (22.) (23.) (24.) (25.) (26.) és (27.)
	4. Based on other variables (18) és (11)

Source: own editing

From the "flipped" data table, two additional data tables were developed to provide the basis for the proof of hypotheses: (1) "SA3a/b.xlsx" contained the aggregated number of asset items by trustees.xlsx" contained the aggregated financial and value data (subscribed capital, equity, fixed assets, turnover, operating profit, etc.) of the asset items by trustee, determined on the basis of the actual shares in the asset items.

6. Research results

In this chapter, I present the results of my research on the functionality of trusts as a form of transgenerational wealth transfer. The research question - what factors contribute to the construction and long-term sustainable functioning of a trust for the purpose of transgenerational wealth transfer - was investigated through two phenomena using a mixed research methodology. The characteristics of the assets under management were investigated using a quantitative research methodology, while the process of wealth transfer was mainly investigated using a qualitative research methodology.

6.1. Results of quantitative analysis

In the quantitative research, I examined the subject of fiduciary asset management, the assets under management. I sought to answer the question of when and under what circumstances it is rational to choose trusts in the context of a transgenerational transfer of wealth, and what are the characteristics of the portfolio of assets under management. To this end, I put forward two research hypotheses.

1.) *H1: Predominant share of assets is equity (corporate investment, enterprise)*

According to my research hypothesis, trusts are an appropriate form of transgenerational wealth transfer when the dominant part of the assets is a business (company shares). If the dominant

part of the settlor's assets is business enterprise(s) and he wishes to arrange for their transgenerational transfer, then trusts may be an effective form of transgenerational asset transfer for him. Therefore, if it is found that the number of shares in companies, the number of companies as assets, is determinant in the assets held in trust, then statement (H1) is true. That is, if there is no significant difference between the number (set) of assets managed by trustees in the form of legal entities and the number (set) of assets managed by trustees who are generally engaged in asset management (NACE 64.20), then the statement is true. In the case of assets held in trust, the quantification of the number of shares as assets in the trust is decisive if the quantification of the assets will be similar (close to the same) to the average (mean) of the total set of assets held in trust. The research hypothesis is accepted if the statistical null hypothesis in support of it - the similarity of the two sets - is accepted.

During the sorting and processing of the primary database ("a3.xlsx" data table), which I have collected according to the criteria I have defined, I have created a new data table ("SA.xlsx"). From this data table, selected variables ("VKNEVE": name of the trustee, "ELEMSZÁM": number of assets managed, "TÍPUS": type of trustee) and their value data were converted into the "SPSS Statistics" program. Two groups were created according to the type of trustee. "Group1": "1", the group of firms that carry out asset management in a fiduciary form (108 trustees), and "Group2": "0", the group of firms that usually manage assets on a business basis (3 681 trustees). The total number of trustees analysed was 3 789. The average number of asset items per trustee for the two groups showed a difference (see Figure 54: Average number of asset items by type of trustee).

Figure 54: Average of asset items by type of asset management

	number of asset managers	number of asset * managed	number of asset * managed, average
"1"	108	1469	13,6
"0"	3681	83536	22,7

„1” fiduciary asset managers (trustees),

„0” general asset managers (asset management as the main business profile)

* number of portfolio companies / elements

Source: own editing

Since the number of asset items in the two groups is not normally distributed, the averages are not comparable because (1) the group of firms that are usually engaged in asset management on a commercial basis includes a large number of national and/or monopolistically established artificial asset managers (Hungarian National Asset Management Ltd., MVM Zrt, (2) The asset management structure (holding form) is applied through project companies to real estate development and operating companies, in order to create optimal tax and public procurement positions. (3) The (family) businesses involved in the transfer of transgenerational assets are mainly the result of the organic development of the last decades in the medium and small business sector, where the number of asset elements may be less numerous, linked to only one or more business activities.

Therefore, I first performed the Shapiro-Wilk test to test the normal distribution of the two groups (see Figure 55: Shapiro-Wilk test results!)

Figure 55: Shapiro-Wilk test, $p < 0.05$

Tests of Normality							
ELEMSZÁM	TÍPUS	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
	,00	,321	3681	<,001	,456	3681	<,001
	1,00	,304	108	<,001	,494	108	<,001

a. Lilliefors Significance Correction

Source: SPSS calculation

Based on the Shapiro-Wilk test (Sig. < 0.001, i.e. "p" value below 5%, $p < 0.05$), it was concluded that the groups were not normally distributed. Therefore, a non-parametric test had to be performed instead of a t-test for the mean values of normal distributions and identical variances (identical bell curves). I considered it reasonable to use the Mann-Whitney test, assuming that the two sets are not normally distributed, and that it is appropriate to test the similarity of the median (similarity of the two sets in the case of distributions not equally skewed) by the rank sums instead of the difference in means.

The "p" value of the Mann-Whitney test result was 0.054 for 5% ($p > 0.05$), which indicated that the difference between the two sets ("0" and "1") was not significant (see Figure 56). The null hypothesis (H_0) that there is no difference between the groups based on this value - since the "p" value is greater than 5% ($p > 0.05$) - should be accepted. However, for a "p" value of 10% the null hypothesis should be rejected. Therefore, it was also useful to examine the distribution of the groups and, by normalising the population by any extreme values, to verify the validity of the null hypothesis.

Figure 56: Mann-Whitney test, $p > 0.05$

Ranks				
ELEMSZÁM	TÍPUS	N	Mean Rank	Sum of Ranks
	,00	3681	1900,87	6997088,50
	1,00	108	1695,06	183066,50
	Total	3789		

Test Statistics ^a	
ELEMSZÁM	
Mann-Whitney U	177180,500
Wilcoxon W	183066,500
Z	-1,930
Asymp. Sig. (2-tailed)	,054

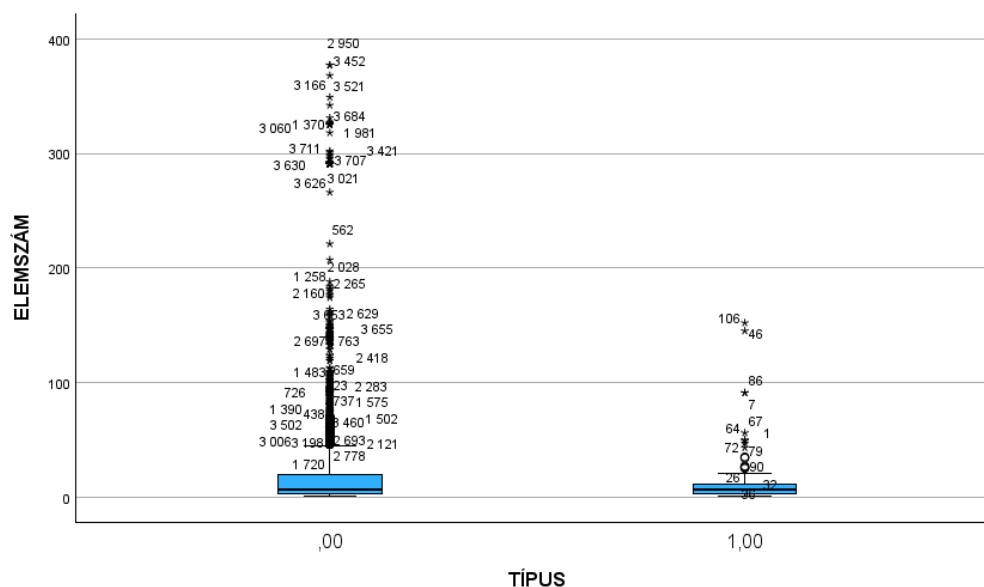
a. Grouping Variable: TÍPUS

Source: SPSS calculation

The boxplot (histogram) distribution analysis showed that there are many "outliers" in the population, especially in group "0", the group of (general) asset managers who are generally engaged in asset management on a business basis, in terms of the number of assets managed in the asset portfolios. This would seem to confirm my assumption of a non-normal distribution, whereby the heap is deviating from the normal distribution due to the existence of national or

artificially managed trusts and companies set up to maintain the asset management structure. The vertical axis (ELEMSZÁM) of the boxplot shows the number of asset-managed firms scaled by hundreds. (See Figure 57: Distribution of the number of assets under management by type of asset management! The line numbers in the figure are a proxy for the name of the trustee, by which the trustee's identity can be identified.)

Figure 57: Distribution of the number of asset items by type of asset management



Source: SPSS calculation

The trust companies behind each outlier number were randomly checked individually in the OPTEN company register, which contains the companies' activities. Based on this check, I found that a more accurate confirmation of the hypothesis is obtained by examining and comparing the two groups on the basis of the 100 and 200 asset numbers managed. Restricting the analysis to 100 asset items per managed asset portfolio, the number of firms ("1", Group1) managing assets as fiduciaries is 106 (N = 106), the number of firms ("0" Group 2) managing assets on a business basis is 3. This represents 93% (N = 3 623/3 789) of the total set (N = 3 789), and 98% (N = 106/108) coverage for Group1 ("1") and 96% (N = 3 517/3 681) for Group2 ("0"). The "p" value of the Mann-Whitney test result for 5% was 0.121 ($p > 0.05$), indicating that the difference between the two sets ("0" and "1") is not significant (see Figure 58: Mann-Whitney test and distribution of asset managers for the number of assets under 100 managed in the portfolio). The null hypothesis (H_0) that there is no difference between the groups is accepted.

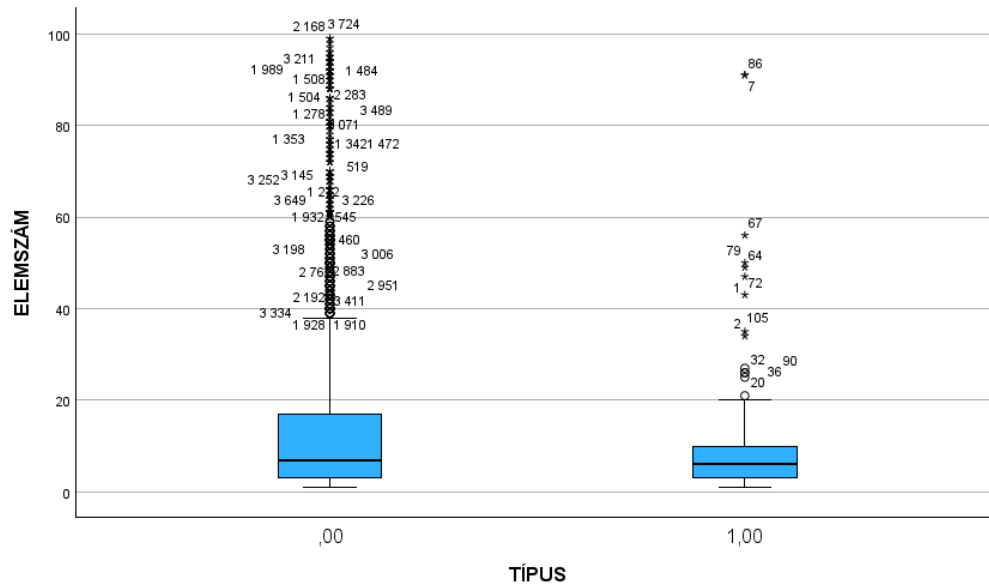
Figure 58: Mann-Whitney test and distribution of asset managers for the number of assets under 100 managed in the portfolio

Ranks				
	TÍPUS	N	Mean Rank	Sum of Ranks
ELEMSZÁM	,00	3517	1816,66	6389204,00
	1,00	106	1657,28	175672,00
	Total	3623		

Test Statistics^a

	ELEMSZÁM
Mann-Whitney U	170001,000
Wilcoxon W	175672,000
Z	-1,549
Asymp. Sig. (2-tailed)	,121

a. Grouping Variable: TÍPUS



Source: SPSS calculation

Increasing the number of asset portfolios under management to 200 asset items, the number of firms ("1", Group1) managing assets as fiduciaries is 108 (N = 108), and the number of firms ("0", Group 2) managing assets on a business basis is 3 611 (N = 3 611). This represents 98% (N = 3 719/3 789) of the total set (N = 3 789), and 100% coverage (N = 108/108) for Group1 ('1') and 98% (N = 3 611/3 681) for Group2 ('0'). The "p" value of the Mann-Whitney test result for 5% is 0.105 ($p > 0.05$), which also shows the similarity of the two populations. The difference between the two sets ("0" and "1") is not significant. The null hypothesis (H_0) that there is no difference between the groups is accepted. (See Figure 59: Mann-Whitney test and distribution of asset managers for the number of assets under 200 managed in the portfolio.) Further confirming the acceptability of the null hypothesis is the fact that Mann-Whitney test at 10% significance level has "p" values above 0.1 ($p > 0.1$).

Figure 59: Mann-Whitney test and distribution of asset managers for the number of assets under 200 managed in the portfolio

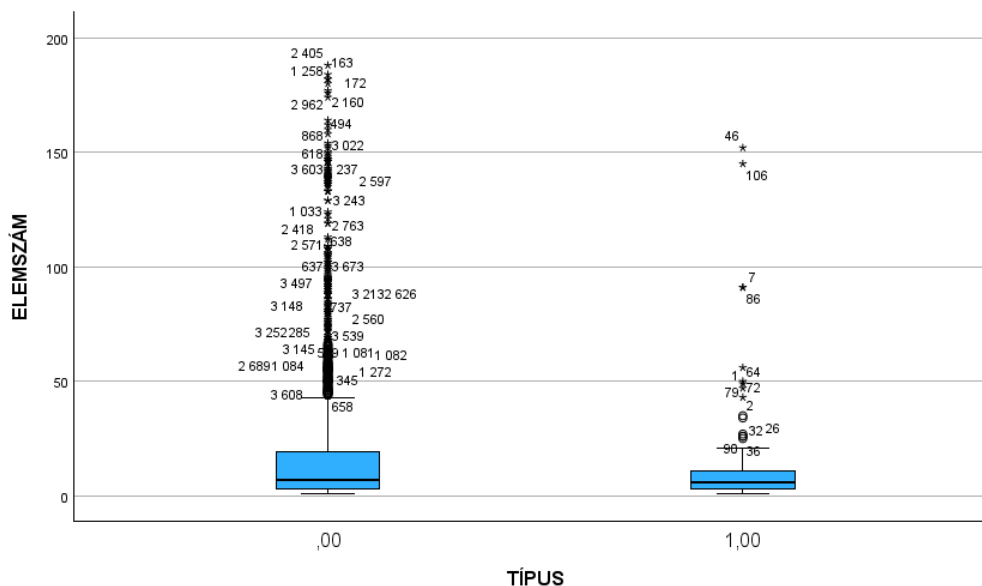
Ranks

	TÍPUS	N	Mean Rank	Sum of Ranks
ELEMSZÁM	0,0	3611	1864,93	6734273,50
	1,00	108	1695,06	183066,50
	Total	3719		

Test Statistics^a

	ELEMSZÁM
Mann-Whitney U	177180,500
Wilcoxon W	183066,500
Z	-1,623
Asymp. Sig. (2-tailed)	,105

a. Grouping Variable: TÍPUS



Source: SPSS calculation

The hypothesis testing was performed with several scenarios by trustees and asset types - four hundred, two hundred and one hundred - for the number of asset items, and in each case, at a 5% significance level ($p > 0.05$), it was proven that there was no significant difference between the two groups. Even when tested at the 10% significance level ($p > 0.1$) for the number of asset items below one hundred and two hundred, no significant difference between the two groups was found. Therefore, the null hypothesis is proven and accepted based on the "p" values. There is no significant difference in the number of assets managed in the fiduciary portfolios between the group of firms ('1') and the group of firms that generally manage assets on a business basis ('0'), when the extreme values are taken into account. The two groups (multiplicities) are similar.

Based on the proof and acceptance of the statistical null hypothesis (H0), my research hypothesis (H1) that fiduciary wealth management is a suitable transgenerational wealth transfer form if the dominant share of the asset(s) is in the form of a share (corporate investment, business) is proven and thus accepted.

2.) H2: *In the case of fiduciary asset management, the portfolio of assets under management is dominated by corporate holdings.*

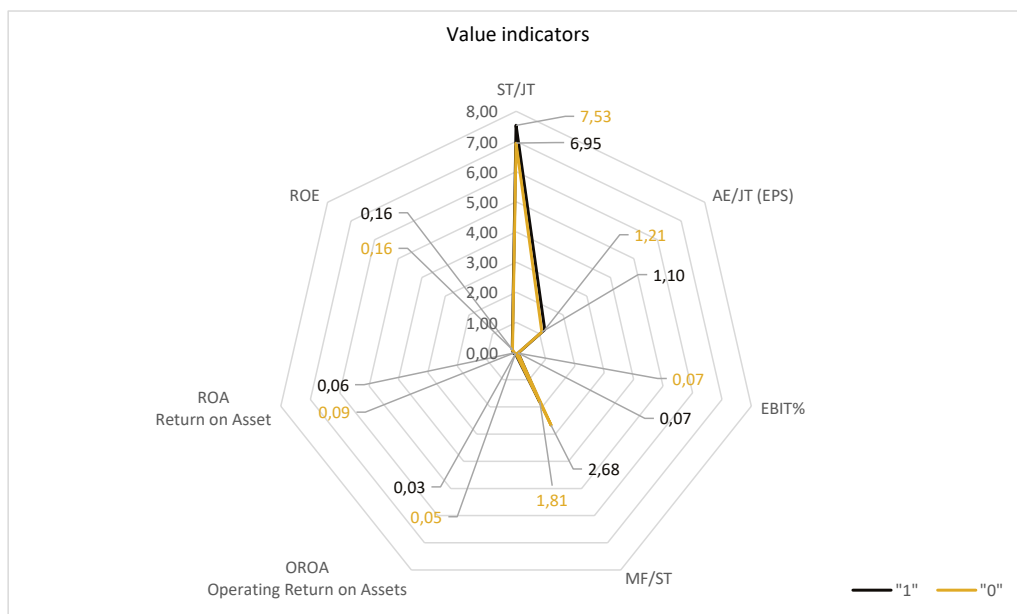
According to the research hypothesis, the trustee will use trusts as a vehicle for the realisation of the succession if a significant part of the assets in the trust portfolio are companies (company shares) and their weight in the value of the total assets (portfolio) is decisive. The significant value of the corporate stake in the assets under management can be inferred from the asset value

of the corporate investments, the equity/equity ratio (ST/JT) of the total trust holdings and other value indicators such as asset/equity ratio, ROA, ROE, EBIT, OROA, etc. If there is a significant value of corporate holdings (total value) in the assets under management, then statement (H2) is true. A significant value of corporate holdings in the assets under management is found if the aggregate and unit specific values of the assets under management (holdings) - ST/JT per unit and other 'value indicators' (ROA, ROE, OROA, etc.) - are close to each other, showing similarities with the average of the whole set of indicators of the 'normally' asset-managing firms. If there is no significant difference between the value of the aggregate and per unit specific value indicators of the assets managed by fiduciaries in the form of legal entities and the value of the aggregate and per unit specific value indicators of the assets managed by fiduciaries in the form of legal entities (TEÁOR 64.20), the statement is true. That is, the claim is proven if the values of the assets held in trust are close to the average values of the total set of ST/JT and other value indicators for the aggregate holdings (asset items) of the trusts, and are close to the average values of the specific and per unit ST/JT and other value indicators for the aggregate holdings (asset items) of the set of trusts. The research hypothesis is accepted if the statistical null hypothesis in support of it - similarity of the two sets (similarity of distributions, means of distributions, or similar distributions by rank sum) - is accepted.

After organising and processing the primary database ("a3.xlsx") collected by OPTEN according to the criteria I defined, I created a table of data aggregated by trustees ("query1.xlsx"). The data table shows, by trustee, the total number of assets (participations) managed by each trustee and the aggregated values of subscribed capital (JT), equity (ST), fixed assets, current assets, total assets (MF), net sales revenue, operating profit (EBIT), depreciation, profit before tax, profit after tax (AE), all in proportion to the participations. From these aggregated values, the average value indicators (weighted according to the shares held) of the portfolio of assets managed by the trustees were determined: (1) equity value per unit of subscribed capital (ST/JT), (2) profit after tax per unit of subscribed capital (AE/JT - EPS), (3) earnings generation capacity, the operating margin (EBIT%), (4) total assets value per unit of equity (MF/ST), (5) operating profit per unit of assets (OROA), (6) profit per unit of assets (ROA) and (7) net income per unit of equity (ROE). Here again, I have created two groups according to the type of asset manager. "Group1": "1", the group of firms that perform asset management in a fiduciary form (108 trustees), and "Group2": "0", the group of firms that generally perform asset management on a business basis (3 681 trustees). The total number of trustees examined was 3 789. For the two groups, the specific ST/JT ratio (equity per unit of subscribed capital) for the total number of shares held by the trustees was similar and the other ratios were also close at first glance (see Figure 60: Average specific ST/JT and 'other ratios' by type of asset management).

Figure 60: Average of ST/JT and "other value indicators" by type of asset management

	number of asset manager	number of asset managed	average ST / JT
"1"	108	1469	7,53
"0"	3681	83536	6,95



Source: own editing

In order to reach an accurate conclusion, I considered it necessary to examine the distributions, variances, means, etc. of the manifolds based on statistical analysis. Therefore, from the data table ("query1.xlsx") and the values of the variables ("VKNEVE": name of the trustee, "ELEMESZÁM": number of assets under management, "VKTIP": type of trustee, "ST/JT", "AE/JT(EPS)", "OROA", "ROA", "ROE", "EBIT%") and their values were converted into the "SPSS Statistics" program after filtering out the trustees with no values due to data gaps. Group1: '1', for firms that manage assets in a fiduciary capacity, contained 103 trustees, while Group2: '0', for firms that generally manage assets on a commercial basis, contained 3 287 items, which were converted into 'SPSS Statistics'. The total number of asset managers further analysed was thus 3 390.

I started by examining the statistical null hypothesis (H0) that the assets managed by fiduciaries with legal personality and the asset portfolio and value indicators of the group of fiduciaries generally engaged in asset management (TEÁOR 64.20) are similar by examining the normal distribution of the population.

Examination of normality

First, I performed the Shapiro-Wilk test to test the normal distribution of the two groups (see Figure 61: Shapiro-Wilk test results!)

Figure 61: Shapiro-Wilk test, $p < 0.05$

Tests of Normality							
	VKTÍP	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
STJT	,00	,448	3287	<,001	,048	3287	<,001
	1,00	,262	103	<,001	,632	103	<,001

a. Lilliefors Significance Correction

Source: SPSS calculation

Based on the Shapiro-Wilk test (Sig. < 0.001, i.e. "p" value less than 5%, $p < 0.05$), it was concluded that the ST/JT values of the groups were not normally distributed. Therefore, a non-parametric test had to be performed instead of a t-test for the mean values of normal distributions and identical variances (identical bell curves).

T-test and histogram

For understanding and illustration, I also performed the t-test and histogram analysis on the two populations. The "p" values of the t-test were: a.) 0.779 (Significance Two-Sided, $p = 0.779$) greater than 5% ($p > 0.05$), and b.) 0.464 (Levene's Test for Equality of Variances, Sig, $p = 0.464$) indicating the similarity of the two manifolds and the equality of the squares of variance. However, the variances in the two populations showed a large difference, Std. Deviation 1022.52 vs. 93.68. (See Figure 62: t-test result!) Since the difference in the variances between the two populations was large, the t-test is not acceptable and another test is necessary.

Figure 62: t-test, $p > 0.05$

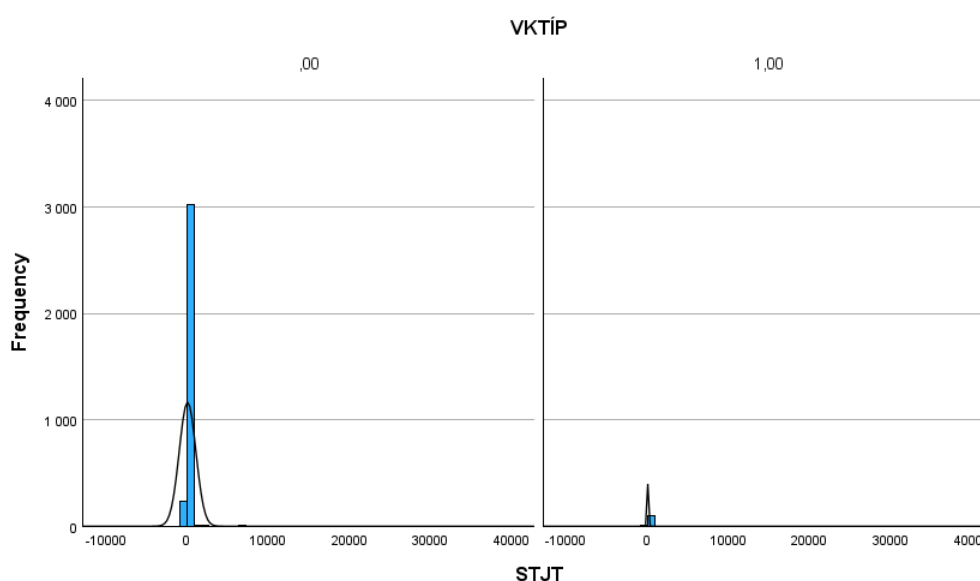
Independent Samples Test									
		Levene's Test for Equality of Variances		t-test for Equality of Means				95% Confidence Interval of the Difference	
		F	Sig.	t	df	Significance One-Sided p	Two-Sided p	Mean Difference	Std. Error Difference
STJT	Equal variances assumed	,537	,464	,281	3388	,389	,779	28,34850	100,77956
	Equal variances not assumed			1,412	1594,997	,079	,158	28,34850	20,08222
Lower									
Upper									
225,94339									
-11,04182									
67,73883									

Group Statistics					
	VKTÍP	N	Mean	Std. Deviation	Std. Error Mean
STJT	,00	3287	85,8138	1022,52140	17,83498
	1,00	103	57,4653	93,68327	9,23089

Source: SPSS calculation

The distributions were illustrated by histograms, which showed that the two sets were not normally distributed and had different variances.

Figure 63: Distribution of populations by type of trustee



Source: SPSS calculation

Non-parametric tests

As the Shapiro-Wilk test showed that the ST/JT values of the groups were not normally distributed ($p < 0.05$), I considered it appropriate to perform a non-parametric test. I used the Mann-Whitney test. I assumed that the two populations are not normally distributed, so it is appropriate to test the similarity of the median instead of the difference in means, or in the case of distributions not equally skewed, only the similarity of the two groups based on the rank sums.

The "p" value of the Mann-Whitney test result for 5% was 0.001 ($p < 0.05$), which indicated that the difference between the two sets ("0" and "1") was significant (see Figure 64). The null hypothesis (H_0) that there is no difference between the groups based on this value - since the "p" value is less than 5% ($p < 0.05$) - should have been rejected. However, it was also useful to examine the distribution of the groups and, by normalising the population by any extreme values, to further test the validity of the null hypothesis.

Figure 64: Mann-Whitney test, $p < 0.05$

Ranks				
	VKTÍP	N	Mean Rank	Sum of Ranks
STJT	,00	3287	1684,23	5536076,00
	1,00	103	2055,04	211669,00
	Total	3390		

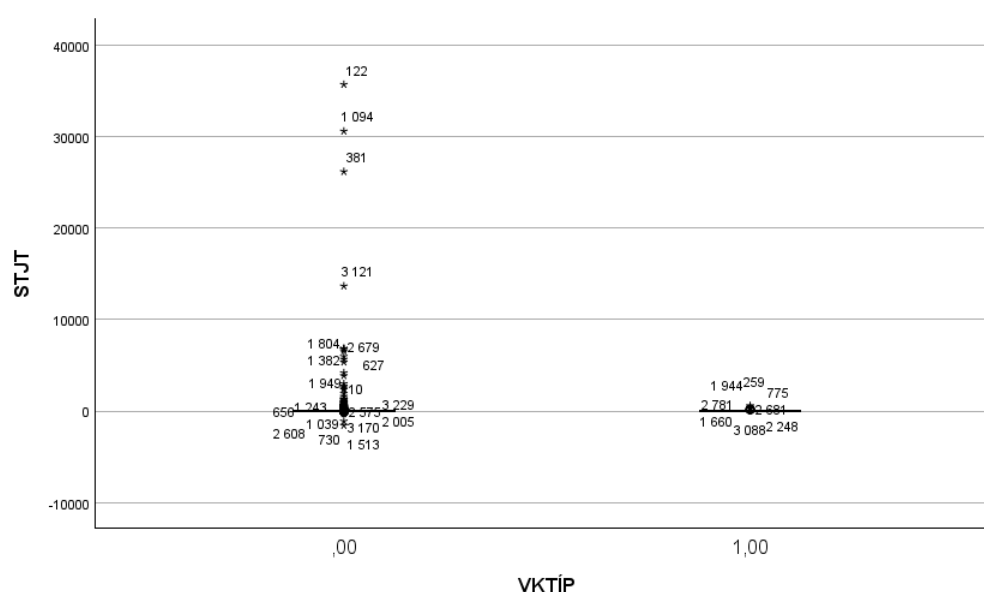
Test Statistics ^a	
	STJT
Mann-Whitney U	132248,000
Wilcoxon W	5536076,000
Z	-3,786
Asymp. Sig. (2-tailed)	<,001

a. Grouping Variable: VKTÍP

Source: SPSS calculation

The boxplot (histogram) distribution analysis showed that there are many "outliers" in the population, especially in group "0", the group of (general) asset managers who are generally engaged in asset management on a business basis, in terms of aggregate and unit specific ST/JT values of the assets managed in the asset portfolios. The vertical axis (STJT) of the boxplot shows the specific ST/JT values per unit of assets under management, scaled in tens of thousands (see Figure 65: Distribution of ST/JT values by asset management type! The line numbers in the figure are a proxy for the name of the trustee, which is used to identify the trustee.)

Figure 65: Distribution of ST/JT values by type of asset management



Source: SPSS calculation

I considered it necessary to limit the ST/JT value because (1) for firms that are generally engaged in asset management business ("0" Group 2) there were many extreme outliers. (2) The (family-owned) companies involved in the transgenerational wealth transfer are mainly the result of organic growth in the medium and small business sector over the past decades and presumably have lower capital accumulation than portfolio companies created artificially and/or by external investors. (3) The choice of a lower ST/JT value was also justified by the values of the global indicators of capital value. The average of the global industry sector weighted capital value indicators published annually by Damodaran (<https://pages.stern.nyu.edu/~adamodar/>) is significantly lower. For the year 2023, the average PBV is 2.28%, while the average EV/ Invested Capital is 1.93% (<https://pages.stern.nyu.edu/~adamodar/>). Looking at the specific equity per unit of registered capital (ST/JT) of the assets under management, based on the actual company share in the assets under management, in the ranges below 1000, I obtained the following values (See Figure 66: Evolution of "p" values by different ST/JT ranges!)

Figure 66: Evolution of "p" values by different ST/JT ranges

STJT range	VKTIP Type of the asset manager	N Allocation of elements in range	Total number of elements	Mann-Whitney Asymp. Sig. ("p")
STJT < 1000	"0"	3262	3365	p < ,001
	"1"	103		
STJT < 500	"0"	3237	3339	p < ,001
	"1"	102		
STJT < 100	"0"	2997	3083	p = ,003
	"1"	86		
STJT < 50	"0"	2767	2833	p = ,503
	"1"	66		

"0" companies that generally deal with asset management as a business

"1" (group of) companies providing asset management services in the form of fiduciary (trust) asset management

Source: SPSS calculation and own editing

Restricting the specific asset value per unit (ST/JT) to a factor of 50, the number of firms ("1", Group1) engaged in asset management as a fiduciary is 66 (N = 66), and the number of firms ("0", Group 2) engaged in asset management as a business is 2 767 (N = 2 767). This represents 82% (N = 2 767/3 390) of the total set (N = 3 390), and 64% (N = 66/103) coverage for Group1 ('1') and 84% (N = 2 767/3 287) for Group2 ('0'). The "p" value of the Mann-Whitney test result for 5% was 0.503 ($p > 0.05$), indicating that the difference between the two sets ("0" and "1") was not significant (see Figure 67: Mann-Whitney test for ST/JT < 50 (multiplier), $p > 0.05$!) Based on this, the null hypothesis (H_0) of no difference between groups is accepted.

Figure 67: Mann-Whitney test for ST/JT < 50 (multiplier), $p > 0.05$

Ranks				
	VKTÍP	N	Mean Rank	Sum of Ranks
STJT	,00	2767	1415,41	3916441,00
	1,00	66	1483,64	97920,00
	Total	2833		

Test Statistics^a

STJT	
Mann-Whitney U	86913,000
Wilcoxon W	3916441,000
Z	-,670
Asymp. Sig. (2-tailed)	,503

a. Grouping Variable: VKTÍP

Source: SPSS calculation

Examining other "value indicators"

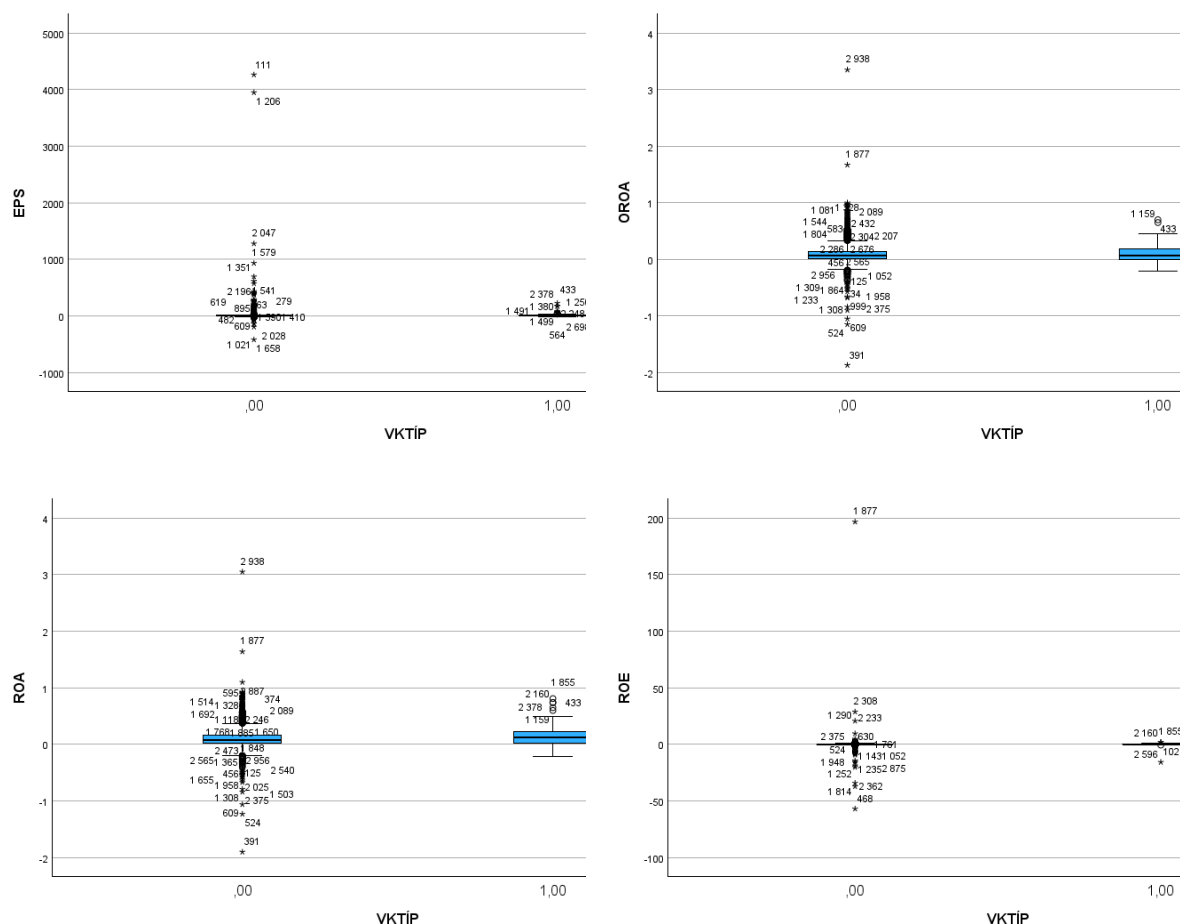
For the additional value indicators EPS, OROA, ROA, ROE and EBIT%, which express the value of assets, I first performed the Shapiro-Wilk test after filtering out asset managers (asset items) that do not have value (do not provide data). The "p" value of the test was below 5% for all indicators ($p < .001$), which confirmed my hypothesis that the pluralities were not normally distributed and not equally dispersed, so I used the non-parametric Mann-Whitney test in these cases as well to test the similarity of the pluralities sorted by asset manager type ("0" general asset managers, "1" managed asset managers) for the five value indicators (EPS, OROA, ROA, ROE and EBIT%). From a population filtered from missing data (2 957 assets), a population of 2 864 items (N = 2 864) of asset value indicators was available for general asset managers ('0' group) and a population of 93 items (N = 93) of asset value indicators was available for assets managed in trust. Based on the Mann-Whitney test, the 'p' values were as follows (see Figure 68: Mann-Whitney tests for EPS, OROA, ROA, ROE, EBIT% value indicators)

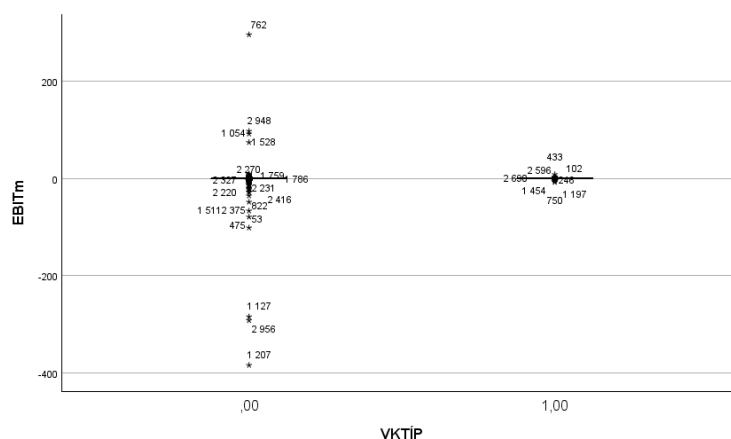
Figure 68: Mann-Whitney tests for EPS, OROA, ROA, ROE, EBIT%)

Ranks				
	VKTÍP	N	Mean Rank	Sum of Ranks
EPS	,00	2864	1470,69	4212051,00
	1,00	93	1734,97	161352,00
	Total	2957		
OROA	,00	2864	1476,14	4227663,50
	1,00	93	1567,09	145739,50
	Total	2957		
ROA	,00	2864	1473,30	4219518,00
	1,00	93	1654,68	153885,00
	Total	2957		
ROE	,00	2864	1476,12	4227617,50
	1,00	93	1567,59	145785,50
	Total	2957		
EBITm	,00	2864	1479,65	4237717,50
	1,00	93	1458,98	135685,50
	Total	2957		

Test Statistics ^a					
	EPS	OROA	ROA	ROE	EBITm
Mann-Whitney U	109371,000	124983,500	116838,000	124937,500	131314,500
Wilcoxon W	4212051,000	4227663,500	4219518,000	4227617,500	135685,500
Z	-2,938	-1,012	-2,017	-1,017	-,230
Asymp. Sig. (2-tailed)	,003	,312	,044	,309	,818

a. Grouping Variable: VKTÍP





Source: SPSS calculation

Results of Mann-Whitney tests for "p" values for 5% - EPS $p = 0.003$ ($p < 0.05$) / OROA $p = 0.312$ ($p > 0.05$) / ROA $p = 0.044$ ($p < 0.05$) / ROE $p = 0.309$ ($p > 0.05$) / EBIT% $p = 0.818$ ($p > 0.05$) / EBIT% $p = 0.818$ ($p < 0.05$) / ROE $p = 0.309$ ($p > 0.05$) / EBIT% $p = 0.818$ ($p < 0.05$). 0.05) - showed that the difference between the value ratios of the two sets, the portfolios of firms that normally manage portfolios of assets ("0") and the assets managed in trust ("1"), is not significant for OROA, ROE and EBIT%, and the value ratios of the assets managed by the two groups are similar.

The boxplot (histogram) distribution analysis showed that in the majority of the population, especially in group "0", the (general) asset managers, who are generally engaged in asset management on a business basis, have a high number of "outliers" in the value indicators of the assets managed in the asset portfolios. When looking at the EPS value indicator for the universe below 5, the "p" values are above 5% for all value indicators (see Figure 69: Mann-Whitney test, EPS < 5!) The limit value of EPS < 5 was justified because (1) there are many outliers for the firms that are generally engaged in the business of asset management ("0" Group 2). (2) The values of the global indicators for the capital value are also around this value. The global industry sector-weighted EPS ratios published annually by Damodaran (<https://pages.stern.nyu.edu/~adamodar/>) fell between 2.93% and 7.27% in 2023. Filtering the manifold for EPS < 5 yielded a total manifold of 2,035 items (N = 2,035), with 1,982 items (N = 1982) for firms that generally manage assets ("Group 0") and 53 items (N = 53) for fiduciary trusts that manage segregated assets. The Mann-Whitney test results for the "p" values for 5% - EPS $p = 0.099$ ($p > 0.05$) / OROA $p = 0.987$ ($p > 0.05$) / ROA $p = 0.646$ ($p > 0.05$) / ROE $p = 0.913$ ($p > 0.05$) / EBIT% $p = 0.490$ ($p > 0.05$) / EBIT% $p = 0.490$ ($p > 0.05$) / ROE $p = 0.987$ ($p > 0.05$) / ROA $p = 0.646$ ($p > 0.05$) / ROE $p = 0.913$ ($p > 0.05$) / EBIT% $p = 0.490$ ($p > 0.05$). 0.05) - showed that the difference between the value indicators of the two sets, the portfolios of firms that normally manage portfolios of assets ("0") and the assets managed in trust ("1"), is not significant, and the set of value indicators of the assets managed by the two groups is similar.

Figure 69: Mann-Whitney test, EPS < 5
for EPS, OROA, ROA, ROE, EBIT%, $p > 0.05$)

Test Statistics^a

	EPS	OROA	ROA	ROE	EBITm
Mann-Whitney U	45548,500	52455,000	50588,500	52061,000	49607,000
Wilcoxon W	2010701,500	2017608,000	2015741,500	2017214,000	51038,000
Z	-1,652	-,016	-,459	-,109	-,691
Asymp. Sig. (2-tailed)	,099	,987	,646	,913	,490

a. Grouping Variable: VKTÍP

Source: SPSS calculation

The hypothesis testing was performed with several scenarios for several indicators by trustee and by type of trustees, with a 5% significance level ($p > 0.05$) for each indicator, proving that there is no significant difference between the two groups. Therefore, the null hypothesis is proven and accepted based on the "p" values. There is no significant difference in the aggregate specific value indicators for ownership weighted shares between the group of firms that perform asset management in a fiduciary capacity ('1') and the group of firms that generally perform asset management on a business basis ('0'), after correcting for extreme values. The two groups (populations) are similar.

Based on the proof and acceptance of the statistical null hypothesis (H0), my research hypothesis (H2) that in the case of fiduciary asset management, the portfolio of assets under management is dominated by corporate shares, i.e. their weight in the total asset (portfolio) value is dominant and represents a high asset value, is proven and accepted.

6.2. Qualitative research results

In the qualitative research, I investigated the process of transgenerational wealth transfer, the selection, implementation and operation of the transgenerational wealth transfer trust form of trust, through six case studies. In this chapter, I present the results of the documentary analysis and qualitative content analysis, and summarise my conclusions on the propositions drawn from the literature review.

6.2.1. Document analysis results

I collected the documents from two sources. The internal sources were the documents that I had access to during the case interviews for consultation or review. In one case, I had access to the trust deed between the trustee and the fiduciary, as well as to the codified portfolio and investment regulations governing the operation of the fiduciary and the management of the trust. In another case, I was provided with full documentation relating to the establishment and operation of the trust, a notarised declaration of trust, full documentation relating to the registration with the tax authorities and the MNB, current account statements, share transfer and gift agreements, and general ledger extracts. In a third case, I received from the interviewees preparatory documents (David Bork's "Small Handbook for Family Businesses", Bank Gutmann, "Ask-Answer for Family Business Owners") provided by external consultants in connection with the design of the trust, which were taken into account in the design. In all cases, the external sources for the document analysis were (1) official company extracts (e-business register) for all members of the family business or group of companies, (2) individual contact networks (company network) and data sheets, company law, business and financial information collected for the company and owner from the OPTEN company information database, and (3) documents from officially published reports (e-report).

In this part of the research, I analysed the documents in order to confirm the evidence collected during the interviews and to validate my findings. The results of the documentary analysis were consistent with what was said during the interviews. In all six cases, there was a convergence of information from different sources - interviews and documents - which ensured the reliability (credibility) of my findings.

6.2.2. Cases

In this chapter I present the six cases and the results of my research.

Case “A”

Introduction and historical overview

The legal predecessor of the present company was founded by the settlor and his father almost forty years ago, before the regime change. At that time, the company provided construction services. The company grew organically over the decades, using the profits made to expand steadily, develop new business profiles and acquire new skills. The founder has developed the various business activities into a group of companies operating as a stand-alone company, providing clients with a complex general construction contractor service. He has built up related manufacturing and production functions. The group now also has a steel plant, production capacities for facade cladding elements, electrical equipment and plant technology, mechanical equipment, windows and doors and structural concrete elements. Its activities cover the entire value chain of building construction and civil engineering, including industrial halls, factories, sports facilities, residential buildings, public spaces and office buildings. In the 2000s, it also started to expand abroad to the East and West, with local construction and production capacities in Romania, Serbia, Ukraine and Germany.

Over the last fifteen years, the monolithic activity profile has evolved into a diversified operational profile, with the construction sector being complemented by the real estate development and operation division, the hotel operation division and the energy (production, power plant development) sector. The functions that support the operations of the member companies, accounting, property maintenance and operation, marketing and HR functions, procurement and the operation of machinery and vehicle fleets have been organised into internal service units that also provide services to third parties in the market. The member companies were grouped into divisions and sectors according to their activities and position in the value chain under a central owner-controlling holding company in 2006. The group currently consists of seventy-seven member companies. The group has consolidated sales of HUF 234 billion (2023) and consolidated equity of HUF 67 billion (31.12.2023). It has more than 800 employees and a significant use of permanent supplier-subcontractor capacity. The holding company is a limited liability company, and its operations are managed by the CEO. The companies operate in seven sectors or divisions, headed by Deputy CEOs or Executive Directors. The highest body of the group is the holding company's general assembly. 94% of the shares are wholly owned by the founder and subsequently by the trustee. The group's operations are controlled by a three-member non-executive supervisory board.

Family structure and characteristics

The founder-owner is 65 years old. He has five children from his two marriages, two grown sons (33 and 31 years old) from his first marriage, and three children from his second current marriage, an adopted 23 year old son, a 19 year old son and a 15 year old daughter. There is a fault line between the family members, especially between the separate offspring of the two marriages, both by descent and by age. There is no real family, household community between the two 'broods', the two older male children and the two sons, the daughter child and the current spouse. The family members on this fault line have no attachment to each other, but rather tensions and resentments between the two families have developed for emotional reasons.

"There is tension between the family members on emotional grounds" (Interview_A-22-12). The first divorce occurred when the two older sons were minors, they were not raised in the head of household from the age of 8-10. The age difference between the children is significant, the family "functions only formally, under duress" (Interview_A-22-11). However, according to the founder, there is no tension in the "two nests" separately, only between the individual members of the two nests (Interview_A-22-01).

The founding head of the family often tries to tip the scales and do justice, but "many times decisions in the family are made on a business basis" (Interview_A-22-11). The family is characterised by the founder's paternal dominance (pater familias), "an autocratic system disguised as a democracy, where there is no honesty and no equality" (Interview_A-22-04). He treats the family as a company and considers the company his "sixth child" (Interview_A-22-10/11/12).

The separation of the "two families" creates a sense of different treatment for the characters. The current wife is convinced that the two older sons get more money because of the support for their businesses. According to the descendants and those outside the family who are close to the family, the relationship is "forced", there is no real bond between the two broods (Interview_A-22-12). When they were younger, there was some contact between them, but they are now completely distant. According to the older descendants, they are not encouraged to make the relationship between the five children resolvable and closer, but "to this day they come to a gathering by putting on a mask and trying to use it against us ... we feel it is a showcase on their part ... it is all theatre" (Interview_A-22-03/04). The younger children claim that the relationship is rather neutral and unemotional. "I don't know my half brothers and sisters, but I think they are quite jealous because they didn't get enough love" (Interview_A-22-02).

The founder does not consider the successors to be suitable for the time being to succeed the group manager, due to their age and interest in the case of the younger three children, and their will and ability in the case of the older children. The trust arrangement was created out of necessity, not conviction. The founder felt that if anything happened to him, there would be a 'war' between family members. 'No one has the ability to take the group forward' (Interview_A-22-02). The two older children are running their own businesses supported by the founder. Both enterprises are suppliers and subcontractors of the group. The children from the second marriage are still minors and are currently in secondary and tertiary education.

Motivation

About ten years ago, the founder had the idea that the fate of the company's assets should be secured after his death, otherwise the heirs would disperse them. "There was a potential fear in him that he did not see anyone as a potential successor within the family ... he had no one to take alongside him" (Interview_A-22-10). Around 2014, he realised that the children of the two families would not be able to develop a common platform for the company's assets (Interview_A-22-09). He therefore sought a solution that would guarantee the integrity and survival of the assets and ensure the future of the family. He was driven by three motivations: (1) He wanted to solve the problem of operating without a person, because the risk was that all business decisions depended on him (Interview_A-22-12). "As far as possible, he wanted to relieve his family of the responsibility of having and running the property" (Interview_A-22-08). (3) The third motive was to provide for the family. "He had a family of five plus one, the

children and the sustainability of the company, the group of companies to look after" (Interview_A-22-08).

The founder has set care and sustainability as its primary goals. "I wanted to build a community where children were motivated and humbled. They need to understand that I created this for their own safety and sustainability. I don't want things to go in the wrong direction." (Interview_A-22-01) He explicitly wanted to avoid succession and the division of assets, dilution or fragmentation of ownership of the group. "There are no assets, but the possibility for successors is unlimited, they can build their own obelisk, as I did ... I thought if I don't do this, then when I die I don't know what will happen to the company and the family members, so I pushed this through anyway, because my aim was to take care and to make the company sustainable" (Interview_A-22-01).

Family agreement (family constitution)

The family constitution was drafted first. The incumbent learned about the importance of the internal family structure and the role and purpose of the constitution within the family during visits to partner family businesses abroad. His motivation for developing it was twofold: (1) he recognised from foreign samples and meetings that the rate of family business closure with the second and third generation is between 50-70%; (2) he developed the view that the next generation ("nextgen") has difficulty in experiencing the responsibility that comes with wealth (Interview_A-22-08). After a year of preparation, the family constitution was published in 2015.

The family constitution was intended by the founder as a set of standards of conduct and behaviour for family members, a family code. In it, he laid down the principles of the family's operation and management of its assets, the principles for the use of family assets, the beneficiaries and the decision-making forums within the family (family council, beneficiary assembly). He also set out instructions for the employment of family members within the company, management succession and the management of assets.

The founding and external advisors were involved in the drafting of the family constitution, and family members were not involved in its preparation or drafting. It was promulgated afterwards among the family members. Family members therefore did not really understand what the family constitution was and what its purpose was. Neither the behavioural and moral standards nor the provisions on succession and the fate of property were discussed beforehand, but had to be explained to the family members afterwards (Interview_A-22-12). "At the time the constitution was handed over, but no one explained it" (Interview_A-22-02/06/07). It was not made clear to family members that "no significant wealth would come to them ... it is very difficult to accept that I was not involved in the preparation" (Interview_A-22-05).

The lack of involvement in the preparation and the subsequent proclamation led to many conflicts between the spouse and the founder, and the children (offspring) showed a passive, disinterested attitude. In their view, the family constitution was invented by the founder, it is what he wants it to be. "In the long run, it doesn't work at all" (Interview_A-22-02/03). The offspring felt the family constitution was octroiated "The founder made it so that even if he didn't exist, he would still have an influence on the world." (Interview_A-22-06).

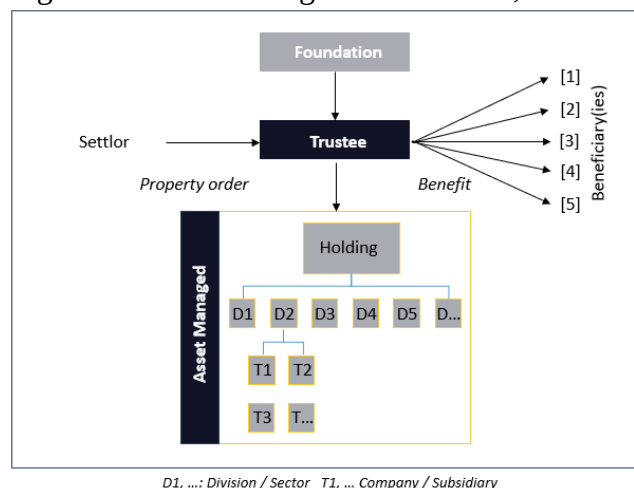
Attributes and structure of asset management

After the promulgation of the family constitution, it became clear to the founder that it was a moral norm, but under Hungarian law it had no binding force and could not be enforced. With the adoption of the new Civil Code (Act V of 2013), the possibility arose that the intention declared in the family constitution could be put into institutional form by creating a trust structure (Interview_A-22-09). In 2017, the founder-owner of the group established a non-business trust structure to ensure the transgenerational transfer of assets and the long-term sustainability of the group. He established the trust, in the form of a private limited company, which is currently managed by a five-member board of directors. The trustee's ownership rights are exercised solely by a foundation governed by a three-member board of trustees, whose power is limited to the appointment and removal of board members (see Figure 70: Trust structure, Case “A”).

The primary objective of the trustee (incumbent) in a trust is, according to the trust deed, (1) to ensure the unity and sustainability of the group of companies he has built up. Ensure its long-term adaptability to market trends and its ability to generate profits and create value and to continuously improve its business. (2) Ensure and lay the foundations for the well-being and improvement of the standard of living of its family for generations. (3) Ensure the management of the assets under management within an institutional framework within which its management and direction is assumed by a professional asset management organization with a broad range of professional knowledge and experience. (4) If he/she retires from active business activities or would be unable to participate in the management of the group for other reasons, the ability to operate should not be impaired.

The primary "guide" for the trust agreement was the family constitution, and the legally relevant parts of the family constitution were incorporated into the trust agreement. "When we drafted the trust deed, we based a lot of it on the family constitution. The family constitution was also a compass in this respect" (Interview_A-22-09). Because the founder was aware that if the property was inherited, the fate and future of the property would become uncertain. Therefore, the main legal objective was to exclude succession (Interview_A-22-09). To exclude succession, the legal solution chosen was to have the trustee owned by a foundation whose trusteeship would be limited to the appointment and removal of the trustee's board members, thus ensuring the inviolability of the assets under management. In this way, "ownership and succession linked to the individual are eliminated" (Interview_A-22-09).

Figure 70: Asset management structure, Case “A”



iSource: own editing

The trust deed is structured in three parts, defining (1) the composition, purpose, registration and valuation rules of the assets (assets) under management, (2) the scope, status and beneficiary benefits scheme of the beneficiaries, (3) the trustee's duties, responsibilities and powers, the framework of the trust activity and the rules for the relationship with the beneficiaries.

Assets under management and portfolio management

The assets under management at inception included a group of companies organised in a holding structure with seventy-seven member companies (see Figure 70: Asset management structure, case A). The initial asset value of the assets under management at inception was HUF 22 billion, calculated on a pro-rata basis, at consolidated equity value. The book value of assets under management is currently (31.12.2023) around HUF 52 billion (consolidated equity value).

Trusteeship takes place at three levels: (1) The *Trustee level*. The trustee sets out the principles of asset management in a "portfolio management policy". The principles set out the rules to be followed in portfolio management, namely: the principle of value preservation, the principle of return-seeking, the principle of risk avoidance, the principle of predictability, the principle of liquidity maintenance and the principle of control. It defines the portfolio management strategy for the assets under management (strategic and business plan), the investment guidelines (targeting, value retention and growth, long-term investment approach, seeking to maximise returns while taking risks, seeking to achieve a properly diversified portfolio, etc.). It prescribes the structure of the assets under management, the rules for the composition of the portfolio (real assets, equity, cash, etc.). It continuously monitors the performance of the assets under management (value stability and value growth). It decides on the sale and reinvestment of assets and regulates the process. (2) The *Supervisory Board level*. The asset manager exercises its ownership rights through the general meeting of the holding company, while operational supervision of the holding company's operations is exercised through a five-member supervisory board appointed by the holding company. (3) The *corporate level*. The operational management and operation of the assets under management is carried out by the CEO of the group of companies organised in a holding structure and by the deputy CEOs delegated to the heads of the divisions/branches. The principles for the management of the group are laid down in the portfolio management rules defined by the asset manager. The group's operations are reported to the Supervisory Board and the Trustee on a monthly basis and the business plans and the five-year strategic plans, which are updated annually, are reviewed and approved once a year by the Trustee and the Supervisory Board (Interview_A-22-01/08/09/10).

Beneficiaries and benefits

The five children and the spouse were designated as the initial beneficiaries at the time of the settlement, and later the founder designated himself as a beneficiary. In the event of the death of a beneficiary, his descendants in the line of succession will always take his place, and no third person may be designated.

Beneficiaries are not entitled to the return on the assets under management (dividends) directly, but only "indirectly" through various entitlements. These are, on the one hand, (1) defined benefits. In the trust deed, the trustee fixed a monthly fixed allowance for each beneficiary, adjusted annually for inflation. There are also so-called "attainment" allowances (age) and

"performance" allowances (e.g. completion of higher education), which may be fixed in amount or limited to the nature of the allowance (car, apartment, etc.). (2) Secondly, there are allowances the amount and title of which are not specified in the trust deed but which the family council may decide to grant up to a certain limit at the request of the beneficiary (e.g. financing of studies abroad). (3) The third type of allowance is support for self-employment of family members. The trustee may support the development of the beneficiary's entrepreneurial family concept through the acquisition of shares (capital increase) and/or a member loan by investing in a business venture initiated by the beneficiary, which investment also becomes part of the assets under management (Interview_A-22-08/11).

Preparation, establishment and operation of asset management

Neither the family members nor the current spouse were involved in the preparation of the family constitution and the trust deed. The moral and behavioural standards for the family, the family constitution and the concept and content of the trust deed based on it were determined exclusively by the settlor himself, in accordance with his own values, with the assistance of external consultants.

The first in the process was the development of the family constitution in 2014. The family constitution was "invented" by the founder, there was no joint thinking or brainstorming with the family members beforehand (Interview_A-22-02/03/04/06/07). The mission of the drafted family constitution was not properly explained to the family members, there was no prior communication about it. It was presented to the family and the company management at the same time (Interview_A-22-10/11/12). Family members did not really understand what its purpose was, the "founder considered it his own business" (Interview_A-22-12). According to family members, the purpose of the constitution and the logic of its operation is still incomprehensible (Interview_A-22-02/03/04/06/07). When it was introduced, they tried to explain its purpose afterwards, but "who understood what it meant was not clear" (Interview_22-12).

Following the signing of the family constitution, the family members were informed by the incumbent and his adviser that a legal document, the trust deed, would also be drafted and signed. The founder had not consulted any of the family members about this beforehand, so "everyone was disappointed about this. ... they were presented with a fait accompli, a negative reception." (Interview_A-22-10). Family members were informed that the principles laid down in the constitution would continue to operate in legal form. "They had to be made aware that they would become beneficiaries of the treaty" (Interview_A-22-09).

The drafting of the fiduciary contract took place immediately after the signing of the family constitution in 2015 (Interview_A-22-09). According to the founding lawyers, the family constitution became more a set of ethical norms for the family, "the poorer for the fact that it was not clear in its definitions or wording". In their view, there were rules that could be abused and the fact that all beneficiaries signed it did not make it binding. "We therefore started to develop the trust structure" (Interview-A-22-09). The first step was to identify the assets that the trustee wanted to place under the trust. Certain mixed and cross-ownerships under the holding structure had to be sorted out and after about a year of work, the trust deed was finalised by autumn 2016 (Interview_A-22-08/09).

The trust deed was drafted by the founder-trustee on the basis of the principles laid down in the family constitution. Both the family constitution and the trust deed were based on the settlor's

priorities of (1) continuing the family tradition and maintaining the family unit for the next "three hundred" years, (2) providing for the future care of family members, and (3) maintaining the family/corporate assets, ensuring their value and growth. In transgenerational wealth transfer, the primary goal was to keep the assets together and stable in value, with the succession of family control of the group (management succession) as a secondary goal. At that time, no steps had been taken to ensure the succession of the group's management function within the family, partly because of the age (two of the five children were minors and one was under 25) and the perception of the family members' abilities. The management of the group continued to be entrusted to external managers (agents), with a consciously built-up corporate organisational structure - trustee-supervisory board-holding structure-branches/divisions. For his own position, he has chosen from within an internal middle manager, until then a non-executive but trusted internal manager.

The organisational separation of the asset management and the group, the creation of a professionalised organisation, has already started during the preparatory phase, but has not yet been separated from the founder-manager. The founder trustee is a direct member of the board of the trustee and of the group (holding) supervisory board. With the conclusion of the trust deed, he has directly stepped down from operational management and has handed over the CEO functions to an internal fiduciary manager (agent). However, his operational control over day-to-day operations remains in place, although the establishment of organisational and operational frameworks (regular supervisory board meetings, establishment of an internal formalised controlling and reporting system, reporting system for sector/division managers) provides a framework for this. In legal terms, it now only exercises ownership and control rights through the trustee and the supervisory board of the holding company, with operational management delegated to the holding company's governing body (CEO), but its actual influence is still significant. "The assets are only legally separated from the founder, not yet operationally" (Interview_A-22-09/10/11) "The trustee should operate according to the trustee statute and communicate its decisions to the holding through the supervisory board. However, there are no formal decisions. The procedures for submission and approval are not elaborated" (Interview_A-22-09). "I am not being called to account as a body, but as a former owner" (Interview_A-22-10). Today, the trustee is still a technical company, with no real functioning (Interview_A-22_11). As the founder took on functions at all three levels after signing the trust deed - becoming a member of the board of the foundation, the board of the trustee and the supervisory board of the holding company - his direct influence meant that the early years of the trust structure's operation were characterised by passive trusteeship, the execution of the founder's will on condition. In the last two years (the sixth year after the signing of the contract, from 2022), the trustee has intended to shift the trustee's activities towards active trusteeship, based on the experience of the operation and its advanced age. The Trustee's Board of Directors has been expanded from three to five people, with the appointment of senior external professional managers with extensive asset management experience from outside the group. Asset management is now active, with Board of Directors meetings and Supervisory Board meetings becoming regular, with formalised presentations and fixed agendas. The centre of gravity of the tension has developed between the trustee and the holding company because (1) there is a lack of clarity on responsibilities and decision-making competences (Interview_A-22_11), (2) on the other hand, the holding company's management has developed tighter control and accountability due to active asset management.

The internal workings of the family have become structured with the establishment of a fiduciary system. Both the family constitution and the trust deed provide for the internal organisation of the family. The trust deed defines the scope and status of beneficiaries, which

covers three types of beneficiaries: (1) 'initial beneficiaries' are the natural persons - the children of the incumbent, his spouse and himself - who are named in the trust deed at the time of its conclusion; (2) 'subsequent beneficiaries' are the descendants of the initial beneficiaries who are the legal heirs. (3) A "special beneficiary" shall be a natural person who was adopted by a beneficiary before the age of three and who has had uninterrupted parental authority over him for at least fifteen years from the date of adoption, after the fifteenth year and after the adoptee has reached the age of majority. The status of beneficiary may be inherited by blood descendants and may not be alienated, encumbered, sold or donated in any way.

The family structure and the related decision-making forums are multi-level. (1) The "beneficiary meeting" is a forum for consultation of all family members with beneficiary status. At the beneficiary meeting, the beneficiaries are enumerated and the trustee provides information on its activities and the status of the assets under management and its asset management strategy. (2) The "family branch meeting" is a forum for the reconciliation of the interests of the family members with beneficiary status according to the family branches. The right of participation in the branch meetings is granted to family members from the age of fifteen, and the right to vote from the age of twenty-five. (3) The "family council" is the main decision-making body of the family, the decision-making body for the operation of the family constitution and the body "supervising" the operation of the trustee. At the time of its establishment, the members of the family council are the initial beneficiaries (five children, spouse, trustee), their age may range from twenty-five years to sixty-five years, with legal representation under twenty-five years. After the generation of siblings, the family council is structured according to family branches, because each family branch may delegate one family member to the family council. (4) The "family bank disbursement committee". The trustee shall keep a fund set aside from the income of the assets under management in a proportion determined in the trust deed, which may be disbursed to the beneficiaries on an individual basis. The entitlement and the amount of the disbursement are decided by a so-called 'disbursement committee', made up of three members chosen from among the members of the Family Council. As the beneficiaries are currently only the siblings (no child has a descendant or legal heir), only the family council (which is currently the same as the beneficiaries' assembly) functions.

The family council is not organised and structured. There are no agendas, meetings are ad hoc. According to the constitution, it meets quarterly, currently it typically meets 3-4 times a year (Interview_A-22-01/08/11/12). Family Council meetings do not yet fulfil their intended function, passive presence rather than active participation, "they do not understand my purpose" (Interview_A-22-01). The understanding that the family members are not and will not be formal owners of the property, but only its beneficiaries, is not yet clear to them, "they do not understand that there is no property" (Interview_A-22-01/11/12). In the first years, the atmosphere in the family council was also tense between family members because of the opposition between the two "broods". In the beginning, the founder dominated the meetings. Later, this was resolved and compromise solutions were found in the decision-making situations that arose, such as the granting of certain special benefits. After about two years after the signing of the family constitution, family members started to feel that they had 'room for manoeuvre' and decision-making power in the family council (Interview_A-22-12). Family members did not understand the functioning of the family council from the beginning due to a lack of communication. For example, they still think that as the number of family members increases, the size of the family council will increase (Interview_A-22-02). "I have no idea what the family council meetings should be about (Interview_A-22-02). "There is no regularity, no consistency, no schedule and no follow up in the family council meetings ... the agenda is about what is in the interest of the founder" (Interview_A-22-04).

The relationship between family and wealth (group of companies) is indirect. Apart from the trustee, the family council and family members have no direct or indirect influence on the management of the assets and the property. Their scope of action is limited to indirect, passive control of the trust activities and to listening to the trustee's report. As a consequence of the trust arrangement, the trustee informs the family members once a year at the family council meeting about the changes in the value of the assets under management, their current state compared to the initial (at the time of the order) value and the trustee's strategy for managing the assets, in accordance with the trustee's obligations under the trust contract. Report on its annual asset management activities.

Knowledge transfer

In the family constitution, the founder-trustee created the possibility for the successors to be involved in the operation and management of the company at a later stage, in principle, and in the trust deed. The transfer of knowledge, accumulated experience and contacts - the general and non-marketable intangible assets - which can be exclusively linked to the founder, did not start before the promulgation of the family constitution and the trust deed, but only years later. As the incumbent was actively involved in the management of the company and its business at an operational level until the trust structure was established, the accumulated intangible assets - the experience and knowledge of the past forty years - were specifically concentrated in and linked to the person of the founder trustee. Family members, external advisors and company managers felt that this represented a high risk for the future. 'I see that if the founder is not there, the group will fall apart ... no one but him can see the company through' (Inerjú_A-22-03/08/09/11).

Following the establishment of the asset management structure, the founder recognised that knowledge transfer was a necessary condition for building an efficient organisation and operating model, as well as for the knowledge of family members about the assets and the entrepreneurial family approach. It therefore took steps to implement it.

The transfer of knowledge has started with the establishment of the fiduciary asset management structure. The Group has undergone several organisational changes to improve operational efficiency, identifying a key layer of senior and middle management to ensure its continued operation and growth. Internal company programmes have been announced for employees to maintain and transfer company-specific knowledge. Knowledge transfer within the company was achieved by emphasising the transfer of organisational-operational knowledge and corporate culture within the organisation. Over the past five years, internal programmes have been announced in the Group, focusing on the importance and preservation of corporate values, culture, cooperation and internal networking ("building on each other"). In this context, reward-based excellence and loyalty programmes were also announced.

The involvement of family members and management succession did not take place until the family constitution and the trust deed were published. Family members have been completely excluded from the management succession of the company, nor have they been given the opportunity. The transfer of the company-specific knowledge accumulated in the founder to the family members did not start immediately or within a short time after the trust structure was established. The involvement of family members and the transfer of management competences and knowledge did not start until well after the trust structure had been established. The founder, recognising his 'omission', has made considerable efforts in recent years to involve family

members in the transfer of company-specific knowledge and the implementation of management succession. Three to four years after the introduction of the new fiduciary structure, all five descendants became acquainted with the group's activities through summer student work.

The incumbent was primarily thinking of involving the two older sons and the older son by his second marriage in the management of the company. He planned for each of them to learn specific corporate functions based on their perceived abilities and skills. The three sons would be placed in operational roles in some areas of the Group in 2022, after reaching the age of majority and as required by the family constitution, after reaching the age of 25 and after completing their tertiary education. A mentoring programme has been set up for them to participate in the Group's operational activities. The aim of this programme is to familiarise the beneficiaries with a specific area of the company's operations and functions on a rotational basis for a fixed period (1 year), on a part-time basis (Interview_A-22-01). The aim is to provide the beneficiaries with the necessary operational skills and knowledge to become potential company managers over the years. The mentoring programme is supervised by the head of the chosen field and is responsible for ensuring that the appropriate skills and knowledge are acquired. At the same time, the two older sons have already started to build up their own businesses, as neither of them is thinking of becoming a manager in the group in the longer term.

Due to the delay in knowledge transfer within the family, no family member other than the founder has a complete overview of the company and the group's operations. According to the descendants, the involvement should have started earlier, "we should have been working alongside him for ten years" (Interview_A-22-04). It would have been much better to learn in process ... many people in the company don't even know who I am" (Interview_A-2201).

Case "B"

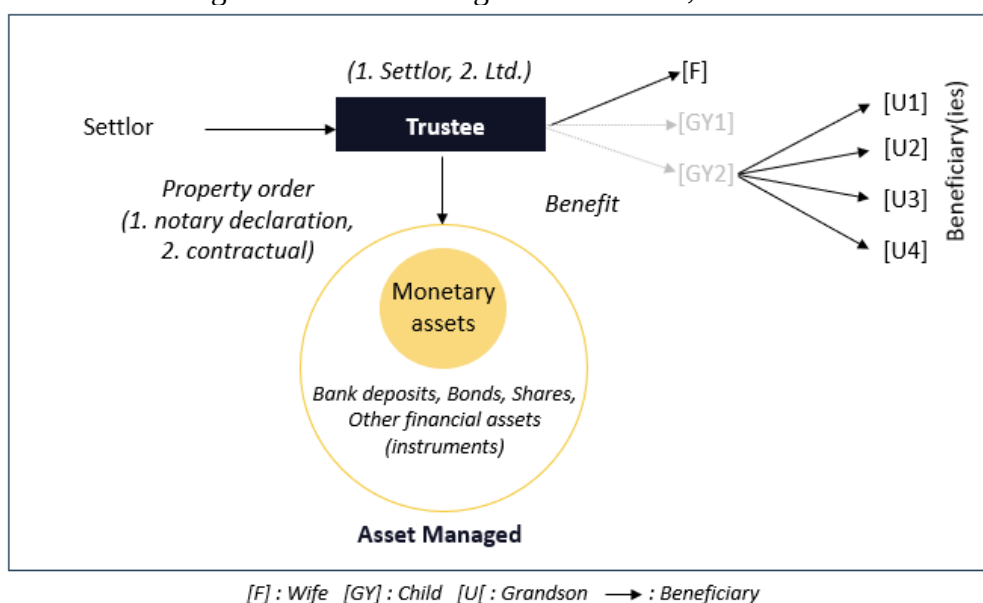
Historical overview. Since the late 1990s, the founder has built up a separate accounting and auditing firm, linked to his personal involvement, with annual revenues of HUF 300-350 million and HUF 350-400 million respectively and a combined staff of around 25-30. Both companies were small businesses, the founder being a co-owner of 1/3 (33%) of the shares. In addition to these companies, the co-owners and the co-founders also bought several properties together, which were organised into separate companies and the companies were engaged in property rental. The founder-principal has a wife and two adult daughter children (twins) over the age of thirty-five, and four minor grandchildren on one of the daughter children's side. The business activities - auditing and bookkeeping - are services requiring personal involvement and qualifications. It was clear to him from the outset that he was building a business which he did not expect any of his successors to be interested in continuing.

Motivation. Reasons for asset management. There were three reasons for choosing a trust. (1) It became clear to the incumbent that the successors did not want to continue with the business, that they wanted to move on to other areas of expertise. "...I created a company that none of my children wanted to be involved in. So it was obvious that I had to sell the companies. I selected two of my colleagues ten years ago who became partners ... it was known to them from the beginning that the company would not be taken over in the family and that I would sell the company" (Interview_B-24-01). (2) The settlor wanted to depart from the legal succession order of the Civil Code. "The difference is that one of my daughters chose to have a family and four grandchildren, while my other daughter does not want children, she prefers to develop professionally. This was actually one of the reasons why I chose to move away from the normal

order of inheritance" (Interview_B-24-01). (3) The third reason was tax optimisation. The settlor owned several companies and could optimise the transactions between the companies from a tax point of view by using the trust arrangement. "The advantage of the trust was that I had several companies, and I could take dividends out of one company and transfer them as a member loan to another. This had two advantages, I didn't have to use withholding income to give the member loan, and secondly, the trust assets, if they only have passive activity, don't have to give up the interest they receive. The company that received the member loan could deduct the interest paid as an expense, thus reducing the company's income tax base' (Interview_B-24-01).

Asset management structure. Assets under management. The Trustee established the Trust for fifty years in 2009. The assets under management include the Trustee's corporate interests and business holdings: shares in auditing and accounting firms and in companies engaged in property rental. The trust was established by a declaration of trust made before a notary at the outset. The trustee was appointed by the settlor himself. Due to a serious illness after the appointment, the trustee sold his shares in the company and the assets under management were exchanged entirely for monetary assets. 'The portfolio items that I had put into the trust were sold by the trustee and a cash portfolio was created' (Interview_B-24-01). The cash released by the asset swap is continuously invested by the trustee in monetary assets, bank deposits, bonds, shares (See Figure 71: Structure of asset management, Case B). The natural person (trustee) was replaced by a trustee with legal personality, a one-person limited liability company. The unilateral trust deed by the settlor before a notary was converted into a trust deed between the settlor and the trustee in 2023. According to the trust deed, the trustee became a one-person limited liability company with the settlor's spouse as the managing director. "I began investing the cash portfolio that had been built up during the sales, but I could only do so by changing the person and form of the trustee in the process. ... At the beginning, I was the trustee. Last year I made this change. By then I had sold the rest of the business. ... I decided that the money should not just lie passively, but should also produce useful income' (Interview_B-24-01). The size of the assets under management ranges from HUF 600-900 million.

Figure 71: Asset management structure, Case "B"



Source: own editing

Beneficiaries. Benefits. The beneficiaries are 50% himself and his wife, and 50% his four grandchildren. The first generation (siblings) was excluded from the beneficiaries. "... I

practically skipped my daughters ... after my daughters had everything, they had a flat, a car, I thought they don't need any more" (Interview_B-24-01). He made the second generation (cousin community) the direct beneficiaries. "... I've taken it further, and I've thought one generation further ... but I'm giving the grandchildren a chance. When they reach the age of twenty, they shouldn't have to start their careers by starting from scratch. I didn't go further, I went as far as there are living family members' (Interview_B-24-01). (See Figure 71: Structure of the wealth management, Case B!) The youngest grandchild is eight years old, the older ones are teenagers (14 and 14+). Beneficiary benefits were defined by the trustee as monthly regular and ad hoc allowances. The monthly benefit is a fixed monthly "allowance" for the grandchildren above a certain age, and a monthly allowance for the wife and the settlor in addition to the pension. Ad hoc allowances are: (1) achievement allowances. Uncles receive a flat after reaching the age of 20. (2) Partially earmarked allowances. The trustee intends to cover the beneficiaries' education and medical expenses from the assets under management and the income from them.

Purpose of asset management. The primary purpose of the trust was to keep the assets together and to provide for their care, so that benefits would be paid out of them in a scheduled manner, "as opposed to inheritance and the dissipation of the assets" (Interview_B-24-01). The trustor's primary purpose for the trust and the assets it managed was not the long-term sustainability of the assets (growth, expansion), but the trust was understood to be a family trust that would be implemented if certain conditions were met. The trust is designed to be 'maturity', with the function of providing income and benefits for future generations, rather than maintaining the wealth from the sale of the company or companies. He essentially used the trust as a testamentary trust. "... it's a fifty-year trust, but if I see or see it that way, I can shorten it, I can change it at any time. ... If the trust objectives are met in my lifetime, I will terminate it. The condition is that the fiduciary goals are met until my grandchildren. ... But if they haven't been fulfilled yet, it stays. By the time I retired, I started to use up the remaining assets of the estate because I cannot live on the pension" (Interview_B-24-01).

Preparation. Design. The preparation of the unilateral notarial declaration of the trust and subsequently the drafting of the trust deed was handled exclusively by the settlor. The trust structure was imposed on the family. He wanted to have sole control over the fate of the assets he had accumulated, to dispose of them as he saw fit, with a derogation from the statutory order of succession. No family code of conduct or set of rules of behaviour (family constitution) was drawn up either during the preparatory phase or afterwards. The Settlor did not consider it necessary. Only his wife was aware of the preparation, and the concept of the distribution of assets and the system of benefits were partly developed together. The family was informed of the property settlement once it had been established "I announced it ... I did not open a discussion with my children" (Interview_B-24-01). The children did not take the property settlement well, presumably because of the different benefit system from the inheritance proportions. "One of my daughters even said, Dad, you want to decide about your assets even after your death ... to which I said yes, because what I have collected, I want to decide about it" (Interview_B-24-01). When I asked whether the unequal distribution had caused tension or a breakdown in relations between the family members (the sisters), the answer was "no ... no problem, no conflict". However, the answer was preceded by a long silence. I was under the impression that this could have been a conflict between family members, but the childless twin tends to keep it to himself.

Operation. The operation of a non-business trust is managed by the settlor himself. According to the declaration of the trustee made at the notary's office, the trustee has carried out the trust

by name in the first stage as a natural person. In the current trust period, the trust is managed by a one-person limited liability company, whose managing director is his wife. In the event of the death of the trustee, a close friend has been appointed. "Neither my wife nor one of my daughters is qualified to run a company or make financial decisions. They have a completely different habitus" (Interview_B-24-01). However, the de facto management of the assets is still carried out at this stage by the trustee through a power of attorney, who manages the rotation of monetary assets, reinvestment, portfolio management of the assets under management. No rules, asset management concept or investment guidelines have been formulated for the management of the portfolio of assets under management. Portfolio management is carried out on the basis of ad hoc decisions by the Trustee.

Case "C"

In this section, two cases, "Case C.1" and "Case C.2", are presented together. The reason is that the two settlors are, from the outset, "pari passu" business partners, interested in the same business. At the same time, together and in connection with the same economic events, they set up their trusts in the form of declarations of trusts made before a notary. The two trust deeds and the structure of the assets managed and the elements of the assets contained therein are the same. The trusts are administered in a similar way. The only differences are in the circle of beneficiaries and the family history and family relationships. I will therefore present the structure, preparation, design and operation of the trust together, with emphasis where necessary on the differences.

Historical overview. Due to their professional experience and background, the founders set up healthcare companies at the time of the regime change in the early 1990s. They were involved in the laboratory diagnostics area of the healthcare industry. They set up companies for the distribution of laboratory diagnostic equipment, the manufacture of haematology analysers and laboratory management. Typically, they founded and built up companies and then sold their shares at a favourable exit price. In 2005, due to the circular debt in the healthcare sector, they sold their laboratory operation business to international competitors at a substantial profit of several billion forints in order to save liquidity. The founding owners were then separated, as the foreign investor took over the owner and the staff involved in the operation of the laboratory in accordance with the acquisition agreement. Three years after the non-competition clause was lifted in 2021, the foreign company was spun off from the acquired employees and the two owners re-established a joint laboratory diagnostics and laboratory operations company.

Their current ownership interest includes a group of companies not organised in a holding structure. For each of these companies they hold 1/6-1/6 and 1/5-1/5, with the remaining shares held by a fellow professional private investor and forty percent by a financial investor. A syndicate agreement has been concluded between the owners, and business decisions require a majority or unanimous vote. Co-sale is governed by "tag along" and "drag along" rights. The group's estimated aggregate turnover is HUF 4.5-5 billion (2023), with around 150 employees. The companies are medium-sized companies providing services to the health care system and related services to the health care system, classified in three divisions (1) Medium-sized company providing laboratory services to the health care system and private individuals and private clinics with an annual turnover of between HUF 1,5 and 2 billion (2023), equity capital of HUF 100 million and 60-70 employees. (2) The other main activity is a medium-sized company producing medical diagnostic instruments with an annual turnover of HUF 2 billion (2023), equity of HUF 900 million and 60-65 employees. (3) The third division is a company renting out privately owned pendants with a turnover of approximately HUF 200+ million and

equity of HUF 1,3 billion. In all three companies, ownership control is exercised through board memberships and some operational functions, such as finance and sales and trading, are carried out by the owners themselves.

Motivation. Reasons for asset management. The reasons for choosing a trust for both trustees were twofold. (1) To optimise tax conditions. In 2016, the owners sold one of their shares in the company at a significant exchange gain and used the proceeds to finance other investments. At the suggestion of their financial advisor, a trust was then a tax-optimising solution, as the proceeds from the sale of the stake could be realised and reinvested tax-free. "... we could re-invest the shares at market value ... and we did not pay personal income tax on the income" (Interview_D-24-01). The other tax advantage was related to interest income. "We knew that we wanted to make a loan, and the aim was not to make the loan through a company but to make it as an individual ... because if you get a larger amount of money through the sale and as an individual you don't want to invest through a company but you want to see your own investment directly, you make the loan as an individual ... the interest income generated in the trust will be tax exempt" (Interview_C-24-01). (2) Another reason for choosing trusts is related to family succession (succession) circumstances. In both cases, this was only brought to the attention of the trustees at the time the trust scheme was being developed. This possibility was brought to their attention by external persons.

In the "C.1." case, the settlor has four children from two "litters" and is currently living in a third marriage. He wished to regulate the succession through trusts so that the descendants would not quarrel over the estate and conflict would not arise between them. "The inheritance should go to the mother of one of my children, she should also have some sort of stable base ... my current wife should not be tied to any of the children and she should not be disadvantaged, she should also have something left over. Obviously this could be dealt with in a will, but trusts were a much simpler construct to deal with this" (Interview_C-24-01).

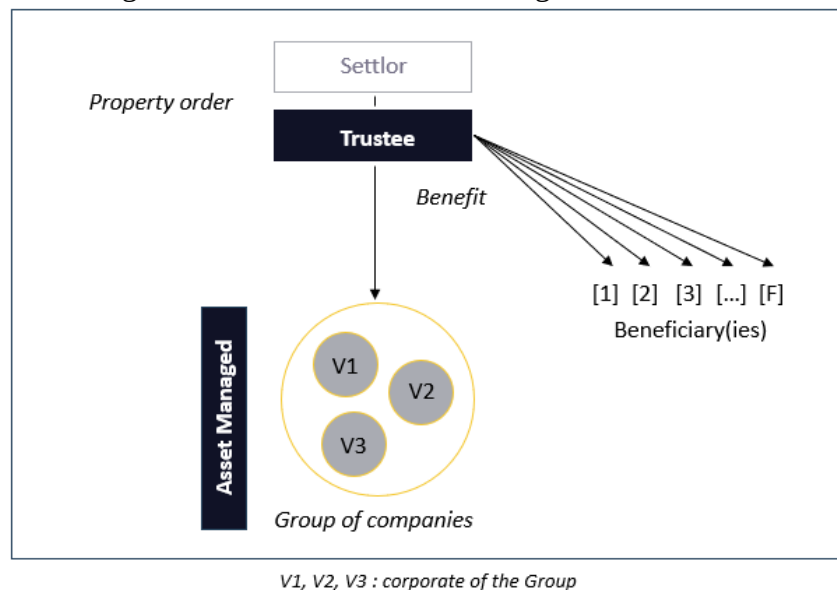
A "C.2." is also characterised by a mixed marital status, with the settlor having three children from two marriages, with a significant age difference. Here again, the settlor wanted to determine the order of succession and the time when the estate would be opened. "... I have designated them in various percentages, twenty to forty percent ... I have virtually no cash in it now. I hope that one day there will be some kind of exit, and then the money will come back and my successors will inherit it" (Interview_D-24-01).

The motivation of the founders is also age in both cases, with both trustees being over 65. "... I'm in the age bracket, so it's important that if anything happens to me, the loan doesn't go back to a company, but to the individuals who are my heirs ... and trusts were also suitable for this arrangement" (Interview_C-24-01).

Asset management structure. Assets under management. In both cases, the trustees similarly set the trust for an initial period of five years (2016-2021), which was extended for a further five years (until 2026) in 2021. Their shares in companies engaged in the manufacture of medical instruments and in the rental of real estate, as well as a former share in a laboratory diagnostics company, were "apportioned" to the trust and designated as start-up assets. Their shares in the laboratory diagnostics company were subsequently sold. The funds that replaced the assets under administration were invested in another newly established laboratory diagnostics company or substantial member loans were made to the portfolio companies under administration. "... the money was stashed away in it, invested in it, and now there is practically hardly any cash in it" (Interview_D-24-01). The estimated book equity per share of the assets

under management is between HUF 900 million and HUF 1,000 million (2023). The trust was established in the form of a unilateral declaration of trust made before a notary. The trustee has designated himself as the trustee (see Figure 72: Trust structure, cases C).

Figure 72: Structure of asset management, cases “C”



Source: own editing

In both cases, the asset purchase is in its second five-year cycle, and the asset purchasers have not yet decided whether to continue. The continuation of the scheme is uncertain, with neither of the trustees considering the long-term maintenance of the assets under management. The duration of the extension of the scheme will depend, they say, on their ability to successfully sell the companies and their stakes in the assets under management to external investors (exit). The liquidity (and ability to pay dividends) of the assets and the likelihood of exit to ensure a return on investment is currently low. "What is in the assets now is cannot liquidate quickly ... I don't believe that a small company can be sustained in the long term ... although I can see the lab being sustained for a long time, but the instrumentation company has taken so much money that it can never recover." (Interjú_C-24-01/D-24-01).

The portfolio management of the assets under management is currently characterised by "passive asset management". The proceeds from sales have been reinvested. There are currently no liquid assets and no monetary assets available for reinvestment among the asset items. The possibilities to "exit" (sell) existing holdings are limited and restricted due to minority shareholdings. "...as a trustee you don't have to do much with it ... you just have to make a decision, but it is a decision for a group as a minority owner" (Interview_C-24-1). "In a company itself 20% does not give you a decision... you have to drift along the main owners or the owners who are operationally involved in the company. He has to accept that if the majority decides that there is a dividend then he will get one, if the majority decides that there is no dividend then he will not get one" (Interview_D-24-01).

Beneficiaries. Benefits. In both cases, lineal descendants and current spouses are designated as beneficiaries. The designation of beneficiaries was also intended to ensure succession and continuity in the management of the assets and the operation of the group. Beneficiary status and the associated benefits were only designated up to the sibling generation; subsequent virtual generations were excluded and not designated.

In the "C.1." case the settlor has four adult children from two marriages. From the first marriage he has a son aged 38 and a daughter aged 36, from the second marriage he has a son aged 24 and a daughter aged 22. He is currently in his third marriage. "...it is difficult to define family because technically the four children are not a family, they did not grow up together" (Interview_C-24-01). By appointing beneficiaries, he also wanted to ensure continuity in the management of assets and companies, "...I obviously want to share the management of the companies among the four children with those who have experience." "In the asset allocation, the competences for the different companies are assigned. It is which child supervises which company (Interview_C-24-01). The founder's aim was that all four children should get to know the operation of the companies, the tasks and problems, so each of them was involved in the operational activities of the company for a period of time. Although the youngest daughter is an economist and the eldest son is a medical anaesthetist, none of the children committed themselves to working at an operational level in the group of companies. The four children, their current spouse and one of their former spouses were identified as beneficiaries, in equal shares. No beneficiary benefit scheme has been developed. There is no monthly regular allowance or attainment allowance. The trustee pays beneficiaries when dividends are paid from the income or sale of assets under management. "We are not talking about an allowance at the moment because we are not taking dividends at the moment. The moment a dividend comes, obviously all beneficiaries will receive in proportion to that" (Interview_C-24-01). The conditions for the payment of benefits have not yet been fully thought through by the trustee, "I still have doubts about how to regulate in the trust how certain benefits can be subject to conditions after my death..." (Interview_C-24-01).

In the "C.2." case, the settlor has three children from two marriages. From the first marriage he has a son aged 37 and 33, from the second marriage a minor son aged 12. The eldest son has worked for the group for two years, but neither of the older sons has any intention of working for the group at any time in the future because of their professional orientation. All three children and his current spouse and himself were named as beneficiaries, in varying proportions. There is no regular monthly or attainment allowance attached to the beneficiary status. A benefit is only payable if dividend income is realised on the assets under management or if assets are sold. The trustee does not consider it necessary to provide for the next generation through beneficiary benefits, "I have supported them enough, ... I have supported their education and their start in life, but I don't think an extra thirty children should be supported" (Interview_D-24-01).

Purpose of asset management. In both cases, the purpose of the settlors was not to hold the assets together and to take care of them, but to obtain tax advantages from the sale of their shares and the allocation of the proceeds. According to them, the possibilities of trusts in succession - the possibility of derogating from the statutory succession - were brought to their attention by the notary when preparing the declaration of trust. '... I only started to think about the inheritance advantages of this later' (Interview_C-24-01). Once this possibility had been recognised, the number of children from mixed marriages and their age differences led the settlors to wish to influence the succession in both cases. "...obviously this can be dealt with by will, but trusts are a much simpler construct to deal with" (Interview_C-24-01). By placing assets in trust, the assets under administration will not be subject to probate and the continued operation of the trusted business is assured. This is also understood to impose a need for consensus among the beneficiaries. "The aim is to ensure that everyone can share in the income generated by the company, but if they want to sell, they are forced to reach a consensus. They can't harm each other ... if there is no consensus, you can't take income from anyone. I think

this is actually the essence of trusts' (Interview_C-24-01). Trustees do not think of assets as a family business, but as assets they have created and want to dispose of exclusively.

Preparation. Design. The preparation of the unilateral declaration of the settlor before the notary was prepared exclusively by the settlors themselves, in consultation with each other and with the help of an external consultant, without any involvement of the families. No family norms (family constitution) were drawn up either before or after the property settlement. The settlors had originally intended to use the trust arrangement primarily for tax optimisation purposes and therefore did not even consider it. Family members and beneficiaries were subsequently notified of the trusts. "... I sat down with each of them individually and discussed it, showing them the contract so that they could read it and feel free to ask questions. We never talked about it together" (Interview_C-24-01). Communication was made with them when the property settlement was made, "... but since it was established there has been no communication about it, just that they will be heirs" (Interview_D-24-01).

The property settlement was a unilateral declaration and intention of the settlors. In the absence of the development and adoption of a family normative system (family constitution or any rules), it was difficult for families to understand the purpose and function of the property settlement. This could be a cause of further conflict due to lack of understanding and consensus among themselves. There was only octroiated consensus constraint in the property settlement here, for example, joint decision making on the sale of property items. "... they don't really want to talk about it ... this is unfortunately the typical attitude, which I can't do anything about. I tried to write down everything I could" (Interview_C-24-01). ... because the family is split into two branches, I can't answer that in one. The bond between my two older sons is strong, the bond between my current family and my past family is medium. I cannot imagine now that one of the family members will become an active member of a company' (Interview_D-24-01).

Operation. Asset management is carried out by the asset managers. On the basis of declarations made by the trustees to a notary, the trustees are themselves appointed as natural persons. No rules, asset management concept or investment guidelines have been formulated for the management of the portfolio of assets under management. Portfolio management is carried out on the basis of ad hoc decisions by the trustee, which are mainly limited to the ownership and operational management of the existing assets. There is no regular and formalised information to beneficiaries and family members on the asset management activities and the situation of the assets (companies). "... I don't give them any reports, only once in a while ... my wife and I go out for a beer every day, of course, and the big boys and I go out every two weeks and we talk about things like that" (Interview_D-24-01).

A "C.1." the eldest son is appointed trustee in the event of the death or incapacity of the trustee. This avoids a potentially protracted probate procedure, because "the next day the new status is set ... it is important to be able to get involved operationally as an owner in the management of the company ... because if there is a sale of the company and something happens to me, the probate procedure will not interrupt this process" (Interview_C-24-01). the current wife was appointed to take over the administration of the estate in the event of the incapacity of the settlor.

There are no regular and formalised family meetings or gatherings in any of the cases, although according to the trust deed "C.1." There should be "I just don't think the children are mature and prepared enough" (Interview_C-24-01). The transfer of knowledge and experience related to the trustee's person is not yet provided for at all by the trustees. "... I have thought a lot and

I don't have any concrete decision on this, whether they want to cooperate or not. ... it is not settled now. I can see the ambition in the two small ones to continue to work with the two companies, to make ownership exercises to keep the company running. In the two big ones, I don't see those ambitions ... how that could be well regulated, I have no idea." (Interview_C-24-01). In case C.2, it is unlikely that the descendants would intend to continue the business. "None of the three sons has any ambition to get into the business "... they might be keen to get into the asset management business, but not the asset management business" (Interview_D-24-01).

Cohesion between family members (beneficiaries) is variable, cooperation is unorganised and emotional. The relationship between beneficiaries from the same marriage and beneficiaries who are closer in age is strong, while with the others it is medium or weak. Cooperation is intended to be enforced by the settlors through the implementation of the property settlement and through the constraints of consensus among beneficiaries in relation to decisions. "... the children are sometimes on good terms, sometimes quarreling, sometimes two quarrel, sometimes two reconcile... The beneficiary circle cannot touch this because if he wants to get his share of the income, he has to pay the others" (Interview_C-24-01).

Case "D"

Introduction and historical overview

The company was founded by the incumbent at the time of the regime change in 1990, as a limited liability company. The company's activities are related to the construction industry, its main activity being the provision of engineering services, construction of residential and non-residential buildings, and general construction work. Since its creation, the company has developed organically and steadily, gradually becoming a leading player on the Hungarian construction market. From a small company with a few employees, it has grown step by step, year by year, to a company with nearly fifty employees and a turnover of several billion euros. Its core values are reliability, conscientiousness, diligence and expertise. It has specialised in special, demanding and unconventional construction projects, and has become a specialist in the renovation of historic monuments over the last decades. Its services cover a wide range of general construction tasks: design and construction of institutions, public buildings, condominiums, detached houses and energy upgrades using the latest technologies. In addition to the construction work, they have gradually built up a complementary business in the manufacture and sale of windows and doors. Its stability in the market is due to a reliable and stable subcontractor network, quality workmanship and guarantees to customers. It is certified ISO 9001:2008 for quality management and OHSAS 18001:2007.

The company has a solid financial and operational background. It has maintained its solvency since its foundation, has grown steadily and has no external debt. The company operates as a 'simple' company, with its various construction activities, projects and production capacity concentrated in a single company (in the form of a limited liability company), with no separate project companies. It has its own premises and its own machinery. The company has a turnover of HUF 17,7 billion (2023) and equity of HUF 8,5 billion. It has low debt (35%), no long-term loans and borrowings, high profit on sales (35%) and an excellent profitability ratio (EBITDA%) of 24-35% over the last three years (2020-2023). The company's profit after tax available for dividend payment is above HUF 1 billion in the last three years and is outstanding in the last year (2023) at HUF 6 billion. The number of employees is 50.

The company is a family business, owned by a pair of brothers, 90-10% split. The older owner, who has a controlling stake, has three adult children. In 2019, the founder-owner decided to transfer the accumulated profits generated by the business to a trust, rather than the business, as part of a transfer of assets under a transfer of wealth due to the risk in the construction sector. This was to be achieved by setting up a group of companies organised in a holding structure as a separate legal entity, a non-business trust. The owners of the trust became the designated beneficiaries. The succession of management and ownership of the construction business, and the family generation change, was to be achieved through a designated succession (primogeniture). The eldest son was appointed to continue the management and ownership of the company.

Family structure and characteristics

The family model of the incumbent has a classic structure. Sixty-three years old, in his first marriage, he has three adult children, a 39-year-old daughter and two sons, aged 37 and 32. All three members of the sibling community have three or three other children aged between 3 and 10 (cousins). The family is characterised by strong ties, and large family gatherings are typical and frequent.

The daughter has chosen a profession completely different from the family business, practising dentistry after graduating from medical school. She has never had a direct relationship with the founder's construction business, and her professional orientation and interests have always been different. Her relationship with the family business is indirect, as her lawyer husband handles the legal affairs of the company. The middle eldest son is an economist. After studying abroad, he gained experience in various national and international financial consultancy firms. His long-term goal has always been to work in the family business, which he has been doing since 2015, in various capacities. In addition to his professional development, he completed a degree in architecture at the University of Technology. The youngest son is a civil engineer in low voltage engineering. He started his career in the family business with the strategy of becoming qualified to manage and take over the company or its subdivisions after having learned each field. However, after five years, in 2021, he left the family business to run his own company, which he had previously founded. His company is engaged in building and providing geographic information systems. He founded the company as a joint venture (50-50% ownership) with a friend, with an annual turnover of HUF 350 M (2023), high profitability (EBITDA 35%) and 11 employees. The company intends to develop its business as a franchise and already has franchise fee paying partners in Italy (Milan) and in the West-Hungary region. The size of the business is now sufficient to support and support his family.

In the appointment of a successor, in succession and in the generational change of the family business, the founder adheres to the declared principle that the company is given to the one who makes it. The concept of succession in the family business was octroified to the successors, defined from above, communicated to his children in advance to allow time for preparation "... I told the children ten years ago that whoever does it, gets it" (Interview_E-24-01). In his opinion, this is because the sector in which he has built up his business over the last 35 years is one that can only survive with personal involvement 'the construction industry is such that if someone doesn't do it, the company closes down the same day ... it's not a bakery that has a fixed clientele, it's not a typified activity, it requires constant spontaneous solutions and high capacity operations' (Interview_E-24-01). He explicitly does not believe in ownership succession, in the proportional distribution of shares, and only explicitly thought of management succession in the succession of the family business. "...it is legitimate that the child

who takes care of the company will get it. As opposed to a standard share distribution, I don't think it's right that, say, one of my sons and daughter, who contributes absolutely nothing to it and takes nothing from it, gets the same money that my other child will make. ... I created this company from nothing, and many times the company would have stopped if I hadn't pushed with all my energy ... I never understood what it meant to have a separate owner and manager, and at the same time I was such an owner that I almost died as a manager" (Interview_E-24-01).

The two sons started their careers in the family business at the same time (2015-2016). After a while, there was a rivalry between the two regarding management succession, "there was a constant debate about whose will should prevail ... I didn't have a significant say or any say in anything within the company, as I did in the family" (Interview_E-24-03). In the competition, the younger son was the underdog, in the incumbent's 'primogeniture', he openly preferred and supported the older son's management succession, '... my brother is the one who will realise my father's dream, then I will not have a say in it ... in our family there is no such thing as something not being left to my brother' (Interview_E-24-03). While still involved in the family business, the younger son started his own business with a friend as a 'hobby', jointly owned by the two of them. As the business strengthened and two years after its launch, after four years in the family business, he became self-employed. At first, they considered including his own business in the family business, but disagreed on the value creation potential of the two businesses. "We were small at the time, with annual sales of about HUF 100 million and an EBITDA of about 35%. Our numbers for an eight billion generic company that has been operating for 30 years are different. ... The request and the big family announcement was that it was all over, let's do it all back and I should also leave the family general construction company" (Interview_E-24-03). According to the incumbent, this was because he did not want to be a 'second fiddle' and saw that 'his brother was dominating the field here' (Interview_E-24-01). According to the son, he had no say in the matter "... my father has a brother who is also an owner in the company and he has lived his whole life with this 'nobody listens to me' type of problem ... I think it's not really healthy and it's not right" (Interview_E-24-03).

The eldest son is preparing to take over the family business. "Actually, I knew all along that I wanted to be an entrepreneur and it was very good to have a business in a company" (Interview_E-24-04). All along he has consciously tried to develop his education and skills in order to become the most suitable and suitable person to take over the family business. In addition to gaining a degree in economics and experience as a financial adviser, he has consciously trained himself in the business management of the company. She has a qualification in construction and attends leadership development (coach) training courses on an ongoing basis. He is conscious of his succession position and his chosen position in front of his siblings, because he believes that they 'would not be suited to it and would not want to do it. "My brother is a skilled entrepreneur with a degree in safety engineering and my sister is a dentist. I have to take over the family business. ... when my dad retires in a year or two, it will be more important to me because I will be 90% owner there, whereas I am only 33% owner in the trust. If you just look at this reality, obviously a stronger incentive is to deal with what you are 90% owner of ... but more importantly, the continuation of the family business is very important to me ... by me getting the family business, I get nothing but a very big dose of opportunity, reference and responsibility" (Interview_E-24-04).

Motivation

The founder's motivation is to maintain family traditions, to keep the family character of the business and to strengthen the sense of belonging "... to keep the children in a common, old bourgeois family model of cooperation ... the interests are different, the destinies will be different, and so I wanted to unify their opportunities that come from me" (Interview_E-24-02).

(1) Ensuring the succession of the company "my plan is to retire by handing over the construction company to my elder son ... in order to survive, I have to hand over the company. For me it's a nice situation to have the successor next to me who wants to do it" (Interview_E-24-01). (2) Taking care of family members down to the sibling generation "I don't want to be responsible for the grandchildren anymore ... everybody does their own life, they should go ahead on the basis of effort, but have a passive income that they inherited quasi from their father" (Interview_E-24-01). Let the wealth work in such a way that the three children, despite their different abilities, can get income from it "because it is their father's life's work" (Interview_E-24-02). (3) Protection of wealth. The three children were designated as the sole beneficiaries so that their inheritance could not be "dissipated" by third parties. "... I didn't want the various daughters-in-law and sons-in-law, when they accidentally divorced, to take what I earned. That was an important consideration. ... I had read that this and that income did not count as property acquired during marriage ... what I worked for should not be taken away by a newcomer" (Interview_E-24-01). Keeping together the value of what the settlor has created in his life and making it work in business "don't carry the wealth around, but only live off its income, it should be shared" (Interview_E-24-01). They would have made a mess of it, so it's a disciplined operation, money flowing into calm economic events, from which they then get a secure income" (Interview_E-24-02) (5) Minimising risks. According to the incumbent, the business he founded and has run for 35 years is in a high-risk industry sector. It therefore split the assets in two. He has "withdrawn" a significant part of the income accumulated by the company over the period and placed it in a trust as a managed asset. In the original family construction business, he left only the funds and working capital necessary for stable operations (HUF 2 billion). In his interpretation, the value of the 'priority' assets is the value of the original family business as much as it will be able to generate cash flow (income and revenue). "I look at the construction company as having no value at all, because if you don't do it properly, it has no value tomorrow". His aim was to continue to operate what he had earned in his life as a working economic asset, but in a more consolidated state "... and not in the construction industry, because construction is a gathering of savages, a very dangerous and risky industry" (Interview_E-24-02). (6) Strengthening family cohesion "... because it forces the children to cooperate and cooperation strengthens family cohesion" (Interview_E-24-02). Since all three brothers are made owners of the trust company by the incumbent, there is a presumption of necessary cooperation and co-decision making and coercion between them in decisions about the property. "Because of the construction, I think that conflict is ruled out because if three agree, then I have no say, if only two agree and one disagrees, then I decide how we go on as long as I am alive ... if I am not, then it is written into the contract that there is a majority decision" (Interview_E-24-02).

Family agreement (family constitution)

Family norms and rules of conduct for family members and beneficiaries were not established either during the preparation of the trust deed or after its signature. Beneficiary status, the order of succession other than the legal succession order, decision-making procedures and principles

regarding the property are exclusively regulated by the trust deed. No code of conduct and ethics for the management of the trust has been drafted.

After five years of trust operation, the incumbent trustee recognised the need for a family constitution. "We haven't done a family constitution, but I'm very depressed and I'm going to do it ... it works because anybody can do anything, but nobody does anything except the eldest son because he's good at it ... others seem to be comfortable with it. Because for the time being I am here as a disciplining shepherd" (Interview_E-24-01).

Steps have already been taken to prepare a family constitution enshrining the founding philosophy, but it will be drafted as a founding resolution rather than a family constitution. "... it's a little more linear, stronger-boned than the family constitution, but we think it will serve the same function" It is intended to be drafted as a spiritual testament of the founder, independent of a trust deed, in which the founder will set out his philosophy on the family, beneficiaries, property and the future. "We are also going to settle the royalties in this will ... it will be done by the same lawyers who did the trust deed, so they have a good insight into the family assets" (Interview_E-24-04).

Attributes and structure of asset management

The trust is established by a trust deed between the settlor and the trustee. The trust is a non-business, ad hoc trust. The trustee manages only the assets ordered by the trustor. The trust was established in 2019 and the maximum period of the trust is fifty years, as allowed by the Civil Code (Act V of 2013). The trustee is a commercial company (limited liability company) which carries out its activities in the form of a separate legal entity. The owners of the company are the three beneficiary children, defined in the trust deed, in equal shares. Although the shareholding and voting percentages are equal and decisions are taken by simple majority, at the time of the trust deed the trustee derogated from this rule in the trust deed. The trustee appointed his middle child (eldest son) as the trustee's operational manager because he was understood to have only the financial knowledge, skills and ability to manage the trust. He was entrusted with the decision-making and operational management of the trust. In the signed trust deed, he also established a rule that even during his lifetime, if there was not unanimous agreement among the owners (beneficiary children) to make formal decisions, he could veto the decision and use his discretion to determine the actual trusteeship decision "... if three agree, then I have no say, if only two agree and one disagrees, then I decide how we go on as long as I am alive" (Interview_E-24-02). After his death, the simple majority decision-making mechanisms are activated. The rights of the trustee and his owners, the beneficiary rights, were explicitly limited in the trust deed to voting and "withdrawal" rights only. The trustee-owner beneficiaries can only decide exclusively on the portfolio of assets (purchase of new assets, investment, development, sale) and on the fate of the income and returns generated on the asset portfolio during a given period (payment, retention, reservation, reinvestment). They must strive for the sustainability of the assets and have defined the obligation to keep the capital intact "... the assets are invested in a form that allows them to operate in business, to generate profits and then to own the income from them" (Interview_E-24-01).

The trustee has also established and defined the institution of a "protector" in the trust deed. The institution of a protector is not defined expressis verbis in the Civil Code (Act V of 2013) but is not excluded by its dispositive provisions. The protector's⁷⁹ functions of asset protection

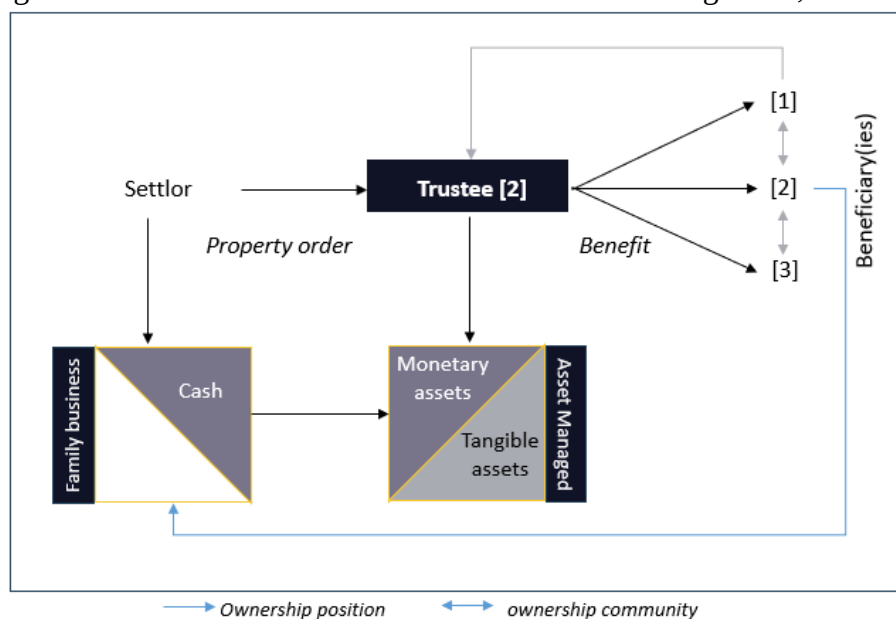
⁷⁹ The institution of protector or trustee is already explicitly mentioned in the law on trusts. See § 7 and § 8 of Act XIII of 2019 (Act on the Protection of Trusts)!

(control of assets) and asset management, which the settlor has assigned to himself during his lifetime, are exercised in the form of the right to change decisions, the right of veto, the determination of asset management and investment strategy.

The founder has organised his business and related activities into two companies for risk management and tax optimisation reasons. The "service company" operates the general building construction and the manufacture of windows and doors and related engineering and construction services as a separate family business in the form of a limited liability company. This company provides only construction services, has no fixed assets and only the working capital necessary for the operation of the business. The "real estate company" owns the real estate related to its activities, the headquarters (office building) and the premises, in the form of a separate limited liability company, which is only engaged in real estate management, real estate exploitation and development. The real estate (office building, sites), which represents a significant investment value, is leased by the general contracting company. The book value of the company's fixed assets exceeds HUF 1 billion (31.12.2023). The company also owns other private real estate not related to construction services and rents it to family members and third parties.

The trustee has "split" the servicing company in the creation of the trust. It placed the surplus capital (funds) accumulated in the company in a trust, while retaining the working capital necessary to maintain the business as a going concern, and intended to keep the general construction company as a separate family business. The initial capital of the trust's assets under management was a combination of (1) the funds withdrawn from the service company (approximately HUF 3 billion) and (2) the real estate company (approximately HUF 1 billion). The wealth was thus "split in two" and two forms of transgenerational wealth transfer were defined: (1) the managed wealth placed in trust - the return on the initial capital and the wealth at the end of the trust - is divided equally between the beneficiaries defined in the trust agreement, his children and lineal descendants, on a branch-by-branch basis. (2) The service company has a designated successor, based on its philosophy of "he who does, gets", as opposed to the statutory succession (Interview_E-24-01) (See Figure 73: Structure of the transfer and administration of assets, Case D).

Figure 73: Structure of wealth transfer and wealth management, Case “D”



Source: own editing

The trust deed defines (1) the composition, purpose, registration and valuation rules of the assets (asset items) under management, (2) the scope, status and payment regime of the beneficiaries, (3) the trustee's duties, responsibilities and powers, the framework of the trust activity, and (4) the "protector" rights in the management of the trust. The trustee's fee is determined by the trustee on the basis of the annual operating costs actually incurred (banking, accounting, auditing, etc.), which are reimbursed by the trustee under strict accounting and with the obligation to refund any overpayment.

In the Trustee's understanding, the transfer of the accumulated income (surplus funds) from the family construction business to the Trustee has resulted in the segregation, withdrawal, holding and release of the assets from the risks of the construction sector. In his view, the remaining 'service company' thus represents only a future value for the one who will actually run it (Interview_E-24-02). He plans to transfer his remaining share in the company (90% ownership) to his elder middle son, who is currently solely involved in the operation, when he retires (by way of a gift contract).

Assets under management and portfolio management

Assets under management include two types of assets. (1) Monetary assets are funds transferred from the family business. These are held by the trustee in the form of cash, time deposits in banks, investments in securities (bonds, shares) and forward foreign exchange contracts. (2) Real assets include a portfolio of real estate assets, which are assets of the "real estate company" placed in trust by the trustee and real estate investments made as a result of the trustee's own development projects. The value of the assets under management (book value) is currently HUF 4,5 billion. The trustee's aim is to transfer to the trust any income still accumulating in the family business of a general contractor in the construction sector until his retirement. The expected amount of this is estimated at HUF 3,5 billion, so that the trust intends to permanently place a pool of assets worth approximately HUF 9 billion. A significant proportion of the monetary assets placed in the trust assets have been invested in real assets. Immediately after the transfer of the assets, a logistical investment of HUF 2,2 billion was made from the transferred funds. Following the purchase of the land in the Budapest area, the design and the entire implementation of the investment was carried out by the trustee. The 5 800 m² hall was leased on a five-year long-term lease, with a 14-year payback expected for the entire project. The "real estate company" properties are rented by four tenants.

The trustee is the older son. In addition to daily operational tasks, he is responsible for investment decisions, portfolio structuring and the identification and preparation of potential major real estate investment projects. He coordinates his investment decisions with the trustee on an ongoing basis, and does not involve the other owner-beneficiaries in the decisions. "They would not be qualified to do it, nor would they want to do it. My brother is a security engineer by training, he is a skillful entrepreneur, but he is not qualified to do financial or legal tasks. My sister is a dentist and a mother of three children, so none of them had the ambition to be the trustees ... but it never crossed my mind that one of them should be the trustee ... if I was not the trustee, it would be a family office or someone else, but we would pay quite a lot of fees to them" (Interview_E-24-04). The co-ownership beneficiaries have decision-making and voting powers only for the adoption and distribution of the annual results. "... the beneficiaries don't have a say in the decisions, because then it would no longer be a beneficiary status, it would be a board of directors" (Interview_E-24-04).

There are no guidelines or rules for the management of assets under management. There is no investment policy and the professionalisation of portfolio management is rudimentary and ad hoc. A rule of thumb of 20-80% is applied by the elder son trustee, according to which at least twenty percent of the portfolio of assets under management must be in liquid or financial fixed assets, and only the remaining percentage can be invested in real assets, real estate investments and projects (Interview_E-24-04). The portfolio is homogeneous in structure and one-sided in risk, as only real asset investments in real estate development projects are preferred. "... I tried to get into another industry but I always lost my money ... I just realised that I only know the construction industry, the rest just doesn't work" (Interview_E-24-01). Other beneficiaries, outside the older son's wealth management beneficiaries, are not informed or are informed afterwards about wealth management and the reasons for decisions on the portfolio. "I don't see the rule of what we invest in and on what basis ... when I took an investment opportunity it was rejected without any reason ... my brother's saying was that this is not communism, I don't want to produce for your children, I want to produce for my own children" (Interview_E-24-03). There is no developed concept for the operation of the trust and the portfolio management of the assets under management and no will to build a concept "... the concept now is to build big halls and rent them out, and that's it..." (Interview_E-24-03). The older son in charge of asset management makes the investment decisions alone "... it is entirely up to me to decide what we invest in and what the portfolio weights should be between monetary assets and real assets" (Interview_E-24-04). Although the founder believes that since the establishment of the asset management company, the cooperation between the beneficiary children and their professional competence has improved significantly (professionalised), "I don't do anything anymore". In reality, however, it is the operational trust child who dominates trust management and decisions, to the satisfaction of the incumbent trustee "... absolutely everything was done by the middle boy, but the others left it alone and did not reason" (Interview_E-24-02).

There is no regular and formal reporting of the fiduciary activity to the other beneficiaries "there is no big reporting and conceptualisation, it's just that they discuss it with my father and tell me what's going to happen" (Interview_E-24-03). Reporting consists of the fiduciary beneficiary sending around electronically to the other beneficiaries the annual report, the general ledger and a proposal for the dividend rate. Reporting is characterised by the passivity of the other beneficiaries in place of the active, iterative evaluation, "...if they ask me, I answer, otherwise I usually send them the past data" (Interview_E-24-04). "I have a blind trust in my brother, if my brother steals everything one day, I can't do anything with him. I don't know what decision he makes or what rules he follows" (Interview_E-24-03).

The Trustee intends to convert the current active asset management investment phase into passive asset management in the long term. The trustee is assuming a second transfer of funds of approximately HUF 3.5 billion, after investing it in additional real assets (real estate). "Whatever comes in the next phase will definitely be invested in real assets ... if only because we still have a significant piece of land on the estate" (Interview_E-24-04) "I consider passive asset management sustainable, because I will have to deal with the family business ... until then the assets will be invested and we intend to invest them for the long term. It's not a conundrum to figure out which is more financially motivating for you, doing your own thing or doing what you have in common with your siblings. ... The way to find a solution is to set up this trust so that it is a passive income for the beneficiaries. And the only active person is me, but that is only as active as the day-to-day business requires, but beyond that it has to be set up as a passive source of income" (Interview_E-24-04).

Beneficiaries and benefits

The beneficiaries of the trust and the trust deed are exclusively the three children of the settlor (sibling generation). The contract did not expressly provide expressly verbis for the sustainability of the assets, the need for their long-term value and growth. Nor, for this reason, was there any provision on the 'succession order' or beneficiary status of subsequent generations, except that if an heir drops out or dies, his or her blood descendants will take his or her place. The beneficiaries were adults at the time the trust was created and were living independent family lives "when I created this, they were already living settled family lives. They have a profession, income, husband, wife, so they can exist ... they can earn money all their lives as parents and then they will make another one ... I don't want to be responsible for the grandchildren, my grandchildren should be responsible for my grandchildren" (Interview_E-24-01).

A special beneficiary heir, named and designated outside the trust deed and different from the legal succession order, is the middle child, the eldest son. The trustee will affect succession and generational wealth transfer by designation in respect of the company providing generational construction services, because he is convinced that it can only be maintained in the long term through personal involvement. He adopts the former approach of the 'get what you can or get everyone in some proportion' philosophy. Previously, the younger son had worked in the family business in the years prior to the establishment of the trust, but due to latent conflicts between them, he left it and started his own company. "We had a clash of views a few years ago, maybe two years ago, when my dad had already said that I would basically own the company, but he had mentioned it quite a few times before that ... Even when my brother was working in the company, it was still the two of us who would take the company forward. My sister's person never came up ... Even then, the principle was that those who work in it and do it, get it. ... Later, my brother thought that he would include the company he had founded in the assets under management, and then it would be third-party and the family business would be third-party, ... but it was a mess, it didn't make sense logically" (Interview_E-24-04).

The founder wanted to leave passive income to the beneficiaries and not regular living and maintenance benefits. The trustee's understanding was that each child should live within his or her means, and that assets placed in trust should be perceived as a "gift from God", an extra asset management opportunity (Interview_E-24-02). Monthly regular or performance allowances are not specified in the trust agreement. The beneficiaries' annuity is the annual return on the portfolio of assets under management, which they are free to decide how and to what extent to use. "... it is stipulated in the contract that at the end of the year they vote on the dividends paid out, how much to take out and distribute it equally ... what this capital invested has generated in the year" (Interview_E-24-01). There is no upper limit to the amount they can take out in a given year, they can take out up to 100 per cent "... they use their discretion to decide how much to keep back for depreciation and renovations ... the consequence of their adult decision should be to eat the golden goose" (Interview_E-24-02). The rate of dividend income payable on the initial capital is unilaterally and exclusively determined by the eldest son, who has the operational asset management function. This creates a latent tension between the beneficiaries. "My brother decides how to distribute it. There has only been one dividend, it wasn't that big, maybe 15 million HUF, and we distributed it solemnly. Since then there hasn't been ... I don't even know how much it could be. Should I start asking for an account now? ... then I'm just stirring up trouble" (Interview_E-24-03).

Preparation, establishment (design and operation of asset management)

The trustee alone decided on the design of the trust. Its aim was to ensure the risk-free separation of the assets generated by its construction business and to decide solely on the fate of the assets it created, while allowing the assets to operate independently. As he had already appointed one of his children (older son) as successor to the business, he decided that "he has two other children and they should not miss out on what I have produced in my life, so we activated this trust" (Interview_E-24-01). The trust agreement was signed in 2019 for a period of 50 years. The contract was drafted by an external law firm specialising in trusts. Following negotiations, the final contract, including the registration of the trust company and the MNB licence, took half a year to be drafted. The drafting of the trust deed, the "extraction" of the accumulated income from the family business and the establishment of the trust company were carried out simultaneously. None of the family members were involved in the creation of the trust and benefit trust concept, the incumbent presented them with a fait accompli and octroiated the structure. According to him, the reception was positive. 'I told them frankly that I was doing it so that they would not go mad at the sight of money, that they would not throw away their wealth, because from now on they would only be able to live on the income from it ... and it would be up to their ability whether it was 1 forint of income or a hundred million' (Interview_E-24-01). Only the older son was involved in the design and detailed elaboration of the contract, "... I was absolutely involved, I already had considerable financial experience and background knowledge in 2019" (Interview_E-24-04). According to the other beneficiary, there was no joint thinking either before the preparation or the design "There was no joint thinking on this, just like there is no joint thinking on anything else in our family. I have my brother and my father, they think it up and tell us, and we say it's good ... if they thought they would only give ten percent, I honestly wouldn't have a say in it" (Interview_E-24-03).

The Trustee sought to provide the necessary expertise (professionalisation) and operational capacity to manage the assets by appointing the middle son of the Trustee as the operational manager of the Trust Company and by providing him with office capacity from the family business of the general contractor. In his opinion, he was the only one of the three brothers with the appropriate financial and economic knowledge and experience. This selection, although the trustee had started to operate independently, resulted in the middle son being the sole trustee. Instead of the joint, proprietary approach intended by the founder, the trusteeship was thus monopolised, the other beneficiaries became passive and the centre of gravity of the trusteeship shifted to the axis of the middle son and the trustee at the expense of the other beneficiaries. "... to be honest my attitude is to keep the peace, and anyway it's a gift and I didn't build it, maybe it's not my place to interfere ... I'm more like it's fine" (Interview_E-24-03).

The trust agreement was based on the founder-estate settlor's priorities: (1) separation of the accumulated assets from the family business with risky operations, (2) holding the assets together and initiating and developing independent operation (portfolio management), (3) limited care for the sibling generation. "The children should not live off it, but it should give them a secure base" (Interview_E-24-02); (4) Beneficiaries should only benefit from the income of the assets and the capital should remain together and not be divided; (5) Cooperation and cohesion between beneficiaries should be maintained and strengthened, regardless of the fact that each of them has an independent existence and lives in his/her own family.

The influence and personal involvement of the founder is different for family businesses and trusts. The founder-trustee has solved the problem of trans-generational wealth transfer and asset management, which is completely separate from the family business, by "extracting" the

assets accumulated in the company and operating them as an independent asset management. The operation of the family business, which is engaged in general construction, has thus remained 'intact', with organisational, managerial and operational professionalisation continuing on its organic development path. The personal contribution of the business has remained dominant and has not been detached from the person of the operation. He has decided on ownership succession, and will pass ownership to the middle child on his retirement in two years' time. Management succession started eight years ago (2016). In the early years, both sons joined the company and became potential successor candidates, but conflicts arose and the younger son left. The older son became the sole designated successor. (1) His influence on the family members remains significant, mainly through the middle son, who is the designated successor, "practically it works in such a way that my eldest son talks to me about what to do and how to manoeuvre and then we tell the other two children" (Interview_E-24-02). In the trust agreement, he designated himself as protector for life, which implies the power to influence, control and influence decisions "... if three agree, I can't interfere, if only two agree then I decide how we go on as long as I live" (Interview_E-24-02).

The structure of the internal functioning of the family, as planned by the founder for the succession of the family business and the segregated wealth by establishing a trust, was not built during and after the establishment of the generational wealth transfer. There are no regular beneficiary meetings, family council meetings, family gatherings or decision-making forums with agendas or items for discussion. Family gatherings are ad hoc and ad hoc in nature and are linked exclusively to family events (birthdays, holidays, etc.). Decisions on asset management are agreed between beneficiaries at these events. "There are informal discussions. Typically, we talk to each other separately. We don't follow any rules of business or business books. There is no formal meeting..." (Interview_E-24-03). Once a year, a 'formal' meeting (members' meeting) is held when the trustee's annual accounts are adopted, but it tends to take the form of electronic communication (Interview_E-24-04) or personal participation in family events (Interview_E-24-03). Decisions on asset management are initiated and implemented by the elder son, who is in charge of asset management at operational level, on his own authority and is informed by the other beneficiaries. Consultation takes place only with the founder trustee as necessary. The 'autocracy' of the eldest beneficiary son has led the other beneficiaries to distance themselves from the administration of the assets and to become, because of the constraints that have been imposed, oblivious, disinterested and passive. Contrary to the founder's intentions, the relationship between the beneficiaries has not been strengthened, but rather has deteriorated. The trustees have also taken note of this and are considering drawing up a family and beneficiary norms system and a family constitution. "Basically they accept that the eldest son has learned these business things, he dominates this course ... the other two pretty much defer to him because they see that that was my intention. I always say that there should be a regular meeting between them, but unfortunately there is not ... it is not good, it should be regular and I will build in some kind of commitment towards my middle son ..." (Interview_E-24-01).

The founder's explicit intention in setting up the trust structure was to strengthen the link between the beneficiaries and to link their economic interests as well as their blood ties. His expectation was to strengthen the family bond (Interview_E-24-02). Although the founder said that the relationship between the beneficiary children remained 'untroubled' and that family ties had not weakened - 'no fighting' - the interviews revealed a contrary view from the beneficiaries. "... exactly the stability that my father thinks about it, how good it will be in the long run, I don't believe in that ... it's a very nice concept ... but I foresee the end of it" (Interview_E-24-03). The internal cohesion of the family seems to weaken as the asset management structure is

established. This is due to the appointment of the operational trustee from among the beneficiaries, which is perceived as discriminatory by the others. "If one of us were to take the initiative (my sister or I) to sit down and have a meeting, the reaction would be "you, how dare you hold me accountable?" ... even from my father's point of view, it would be a loss of authority ... If there is a dividend, I'm happy. And when I don't have a father who is quasi-controlling, then there probably won't be a dividend, because there will be a legal quirky solution to what it won't be" (Interview_E-24-03).

The application of the different generational wealth transfer model to the generational family business in construction and the wealth set aside in trust resulted in a different family and wealth relationship. In the case of the family business, as the eldest son was designated as the successor to the ownership and management of the business, the other family member beneficiaries became disinterested in this asset and the relationship was broken. "My sister and my brother are no longer interested, they are not involved in the family business ... for them it is not relevant at all because they are not involved..." (Interview_E-24-04). The fiduciary trust management of the separate estate and the formal (ownership) participation of all three beneficiaries in the management of the estate implies an active relationship between family members and the estate. In fact, there is an active, direct relationship only between the elder son, who is operationally involved in the administration of the assets, and the property. The relationship between the other beneficiaries and the estate is indirect, with only the periodic results of the administration of the estate being communicated ex post. Their decision-making competence is limited to the acceptance of the proposed dividend, they are not involved or excluded from other decisions. "I don't see the rule on the basis of what we invest in and what we invest in ... they say things like invest in real estate because that's what we know. I don't want to break my back over it ... the members' meeting is conflated with family events" (Interview_E-24-03).

Knowledge transfer

The founder has consciously planned the transfer of his experience, accumulated knowledge, business and management skills. He proclaimed the principle of "he who makes it, gets it" to his heirs and potential successors. He intended that the family member who would be eligible to take over the ownership and management of the family business of general construction contractors would be the one who, as an employee, had acquired the necessary experience and knowledge of the business affairs of the company. The transfer of knowledge was to take place in two stages. He envisaged that for the first ten years the family member would work in the company under his supervision and guidance. He should get to know the different areas of expertise, gain project and management experience. During this time, the founder remains the owner and the primary company manager (CEO). The second phase, after the founder's retirement, starts after the age of 65 and lasts for ten years. At this stage, the founder transfers the majority ownership and management of the company to the successor who has completed the first stage. The founder "steps back", but remains available to support the successor as an adviser and consultant for ten years.

Following the announcement of the scheme in 2016, the two sons of the three children started working in the family business, with the intention that they would both take over the family business. Competition and tension arose between the two children working together. After four years in the family business, the younger son quit and started his own business. The elder son is currently the only one working in the business and has declared his right of succession to the family business "... I will take over the company because I work there" (Interview_E-24-04). The philosophy of the incumbent is clear, supporting and teaching the successor who wants to

work in the construction business. "I know construction, whoever comes to work with me in the construction industry, I work with them ... My younger son and I tried, he came to work in the company, that I would pass on the knowledge to him, that we would work side by side ... he would choose an area that he liked, he would develop himself in that area. ... He lived with that for a while, and then he started doing a separate company. ... And with my eldest son, he works with me in the company now. He goes through the company perfectly, from the bottom to the top, every detail, every kind of activity. We always talk, we talk several times a week ...' (Interview_E-24-02).

In the case of separate trusts, which, according to the founder, represent the de facto generational transfer of wealth, there could be no transfer of knowledge. The founder placed monetary assets (HUF 3,5 billion) and real estate (HUF 1 billion) in the assets under management. The only option for asset management was to apply professional knowledge and experience acquired elsewhere. He therefore appointed as the operational manager of the trust, which was established in 2019, the older man he considered most suitable, with a degree in finance and experience in consultancy. "The older boy is doing the wealth management ... he's a graduate of London Business School and he's also worked as a consultant. He's a very bright boy. He speaks German, French, Russian, English at a very high level..." (Interview_E-24-01).

Case "E"

Historical overview. A family business is a group of companies organised as a group of companies, not in a holding structure, but controlled by direct ownership. The start-up company was founded by two brothers as a joint venture with a 50-50% share after the change of regime (1995). The company's business was the official Hungarian distribution of two international car brands. As part of the organic growth of the company, the founding brothers subsequently started other businesses to complete the automotive distribution value chain. To complement their business activities, they founded a company in 2000 for the distribution of international brands of passenger cars and light commercial vehicles, spare parts and vehicle maintenance. In 2011, they established an independent company in Austria for the rental of cars and the international trade (export) of motor vehicles. Since 2010, they have been the exclusive franchise partner in Hungary of one of the world's leading car rental companies, with a fleet of over 700 vehicles. By the end of the 2010s, the companies had grown into a family group with a combined turnover of HUF 9-10 billion (estimated unconsolidated turnover in 2019), with the two brothers remaining the sole owners. The group also included the so-called 'real estate companies', which are the owners of the real estate and premises of companies engaged in motor vehicle trading and rental, and independent companies engaged in the development and rental of real estate. The brothers have managed the family business group in full harmony and agreement from the beginning. However, in 2019, due to a different approach to the involvement of the successor generation in the family business, a conflict arose between them and they decided to split up and split the group.

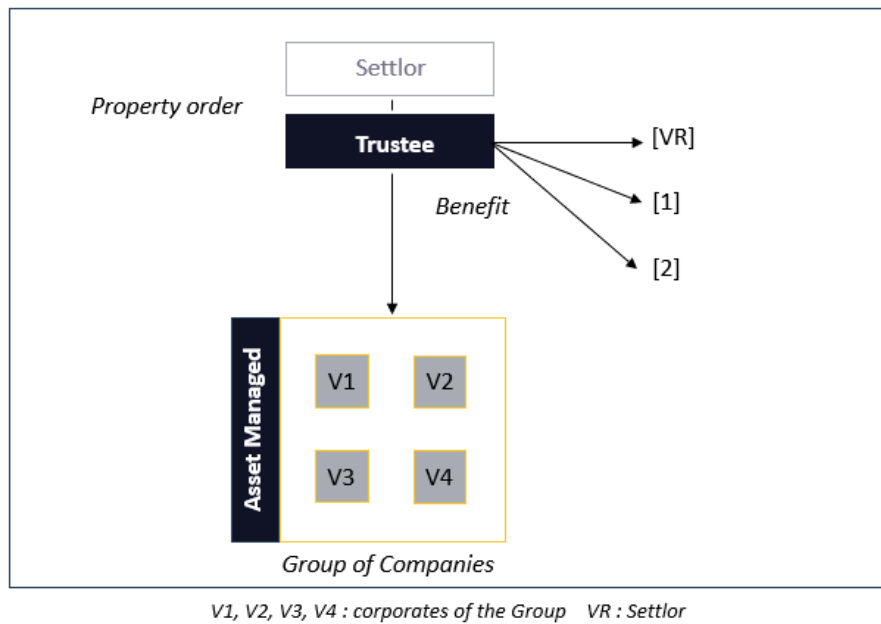
Motivation. Reasons for asset management. The primary reason for the settlor's choice of trust was the tax-efficient distribution of the group. The settlor was looking for a solution for the division of the group between siblings that would exempt the exchange of assets between siblings from tax. On the advice of his accountant and adviser, he decided to set up a trust for his shares and to effect the exchange of assets through it. He placed in the trust the 50 % shareholdings he held in certain companies of the group. The family group was finally split up in 2021 as part of the so-called "complex restructuring plan". The exchange of shares in the companies took the form of share gift agreements between brothers and sisters and between

trustee and brother (gifts between brothers and sisters were tax-free at that time). The international car rental business, which held the franchise rights, remained jointly owned. "We were looking for a solution to a tax issue, the separation ... I then transferred all of my 50% ownership to the trustee, the other 50% I received in the exchange I did not ... I did a trust first, and then we did the share swaps ... my brother gave me 50% of company A and I gave him 50% of company B as a trust" (Interview_F-24-02). The founder had learned during the notarisation process that trusts could be used to determine an order of succession other than intestate succession. His first wife died in 2018. From his first marriage, he has two adult daughter children. He is currently in a second marriage, in which he is also raising a minor child by his wife from her previous marriage. At the time of the trust settlement, he intended that the trust's administered property should include only property (property items) that had accumulated during his first marriage, the principal and income from which should belong only to the persons involved therein, himself and his two adult daughter children.

Asset management structure. Assets under management. The Trustee established the Trust for an initial period of five years in September 2019. At the end of the fixed term, it is currently considering extending the trust. It is planning a further ten-year term, "... after five to ten years, the beneficiaries will be able to decide whether they will keep the assets intact" (Interview_F-24-02). In the "Initial Managed Assets (Initial Capital)", the trustor has placed its existing shareholdings in the family group of companies in the assigned assets. The value of the equity, the initial capital, attributable to the fifty per cent shareholding was HUF 4 950 million. As a result of the inter-brotherly property settlement ('complex restructuring plan'), one of the shares with a proportional equity value of HUF 2 billion was removed from the assets under management by way of a gift, but replaced by another company share with a similar value in direct ownership of the settlor. This shareholding is not yet part of the assets under management, but it is intended to transfer it to the assets under management in the future (Interview_F-24-02). The assets under management are a coherent group of companies with a business profile, consisting of companies active in the sale and repair of motor vehicles, car rental, export activities and real estate management. The assets were not transferred by a trust deed, but by a "Declaration of Trust" before a notary. There is no separate legal entity as trustee, the settlor has appointed himself as trustee as a natural person (see Figure 74: Structure of the transfer and administration of assets, case E).

In addition to the definitions and the general provisions based on the rules of the Civil Code (Act V of 2013) (fiduciary rights and obligations, termination, revocation, etc.), the notarial trust order also sets out: (1) the rules for the management of the portfolio of assets under management (possible forms of investment, formation, purchase, dissolution, etc.); (2) the person of the "substitute trustee". The "substitute settlor" is the natural person who replaces the settlor in the event of the death or incapacity of the settlor and who is the younger daughter of the settlor. (3) Rules on the payment of income and capital on the distribution of the assets under management ("distributions"). If the assets under management include "working capital" (i.e. company shares), dividends may be paid out of the current year's taxable profit or the current year's taxable profit plus the profit reserve only if the amount of equity capital less the retained earnings and the valuation reserve does not fall below the subscribed capital after the payment of dividends. The payment of the part remaining for the payment of capital after the satisfaction of creditors' claims is possible only after the end of the trust period, i.e. after five years.

Figure 74: Structure of wealth transfer and wealth management, Case “E”



Source: own editing

Asset management means active portfolio management, ownership control and occasional operational management of the group's companies. Each company has an operational management, but the trustee regularly monitors their operations on a daily basis "... nothing has changed, I run the companies the same way as before" (Interview_E-24-01).

Beneficiaries. Benefits. The Settlor named himself and his two adult daughters, aged 41 and 37, from his first marriage as beneficiaries. Both children each have one minor child (grandchild). The elder daughter is divorced and currently living in a civil partnership. The younger daughter is in her first marriage. Descendants by blood, grandchildren, are not included in the property settlement "I had no grandchildren in 2019" (interview_E-24-02). He did not name his current wife and her child living in the same household as him as beneficiaries. Among the beneficiaries, the settlor defined the entitlement to the return on the assets and to the initial capital in a specific proportion, which mainly reflects the tax optimisation and not the succession inheritance purpose of the trust. The settlor receives 98% of the return on the assets under management, the initial capital, and the two other beneficiary daughters receive 1-1%. At the end of the trust period, the entitlement to a share of the initial capital is divided between them in similar proportions of 98% and 1-1%. The notarial trust declaration does not provide for fixed amounts of regular or ad hoc benefits. The trustee's purpose was not to provide for successors, but to optimise tax. The beneficiaries live in independent families and have their own means of subsistence. The settlor had already provided them with direct benefits (housing, car, etc.) earlier in their lives and therefore did not consider it his task in the trust to provide regular existential support for the beneficiaries (Interview_E-24-01).

Purpose of asset management. The purpose of asset management is twofold. To create a family group distribution structure that provides favourable tax solutions (tax optimisation) following the emergence of a conflict between siblings. The other objective is to ensure the value stability and value growth (income generating capacity) of the new family group created, the assets under management and the portfolio elements.

Preparation. Design. The preparation and drafting of the unilateral notarial declaration of trust was handled exclusively by the settlor. The trust structure was octroyed and did not involve a family member in its drafting "... they were not aware of it. In fact, they still don't know about it ..." (Interview_E-24-01). A set of norms (family constitution) containing rules of family behaviour was not drawn up either during the preparatory phase or afterwards. The Trustee did not consider it necessary. However, as the end of the first trusteeship period (2024) approaches, the incumbent is considering rethinking the trust structure (defining additional functions), extending the scope of beneficiaries and developing a family constitution. "... we haven't talked about trusts yet, but sooner or later we need to sit down with them and clarify ... rethink and make solutions that won't ruin their lives later. My brother, when we had our arguments, came up with this family constitution. ... I've been to these intergenerational meetings ... this family constitution is not stupid. I saw a lot of fights' (Interview_E-24-02). As the extension of the trust period approached, the prioritisation of keeping assets together for the longer term and the change in inheritance ratios also intensified. In his view, if the beneficiaries were able to run the estate, it would be better to keep it intact for at least 10-15 years so that "they do not dissipate the wealth that I have created". The family and the beneficiary were neutral about the creation of a trust, interpreting it primarily as a business transaction by the founder, a separation of the family business group and tax optimisation, rather than as a way of determining a succession other than a legal succession. "... they don't even bother because my daughters say that dad did it and I'm sure he acted wisely... they haven't even read the estate plan" (Interview_E-24-02)

Operation. Non-business trusts are managed by the trustee itself. In the declaration of trust made before a notary, you have designated yourself as the trustee as a natural person. In the event of his death or incapacity, he has designated his younger daughter from his first marriage as 'substitute trustee', as he considers her to be the most suitable person to manage the business affairs. He considers his younger daughter to be ambitious and interested in business affairs, and will gradually involve her in the management of the affairs of the companies. He considers his elder daughter to be uninterested, 'not the type to deal with business'. Relations between family members have not changed with the establishment of the trust. The trustee considers the relationship between the children (beneficiaries) to be very good, although she has fears about the future based on her own experience. "... my brother and I did everything together, then in 2018 there was a conflict and we still split up ... as long as they are just expecting the inheritance, they don't get there ... but when the wealth falls in their laps, they tend to fall on each other" (Interview_E-24-02). In particular, she considers her younger daughter's behaviour and reaction to be risky and unpredictable "... if my younger daughter says, 'Give me the lion,' that could be a big problem" (Interview_E-24-01). The relationship between her adult children from her first marriage and her current spouse and foster child was not described. They are not currently involved in trusts because they have agreed that the property was created during their first marriage and belongs to those involved in it. The settlor is considering extending the beneficiaries for the purpose of renewing the trust period and provision. The inclusion of the current spouse in the beneficiary circle may create potential future family conflicts. There are no regular and formalised family meetings and gatherings. They have ad hoc informal gatherings. According to the founder's understanding, family members live in symbiosis, regardless of the fact that each of them already has his/her own family. "... we live together on some level, we spend a lot of time together, we go on holidays together, we go 3-4 times a year" (Interview_E-24-02).

The main guidelines for the portfolio management of the assets under management are set out in the Declaration of Trust. As the trustee and the settlor are the same person, these are the settlor's self-imposed standards. The rules are general portfolio management guidelines without

specific definitions or prohibitions. There are no risk management requirements, investment or sector restrictions (prohibited or non-preferred business activities). The operation and management of the firms remains unchanged after the transfer of the assets into trust, which poses a risk to sustainability in the longer term. By transferring his knowledge, the founder has primarily targeted his smaller subsidiary, he considers him to be the right person to take over and continue the business, succeeding the management function. The founder says he is now at about sixty percent of the knowledge he has learned over eight years. He is regularly consulted on business matters on a daily basis and now represents the group independently to third parties (Interview_E-24-01).

6.2.3. Conclusion

In the following, I summarise the results of my qualitative research on the basis of the literature review and the propositions I have formulated based on my process model of the fiduciary asset management form/ structure of transgenerational wealth transfer.

a.) Related to the preparation phase

Proposition 1.a. (family characteristic)

No potential successor with the right skills or motivation.

Proposition 1.b. (family characteristic)

Family members cannot agree on the transfer of ownership and the distribution of management positions in the company.

It is hypothesised that based on these propositions that fiduciary asset management (trusts) increase the likelihood of the use of a transgenerational wealth transfer and are associated with existing or expected gaps in the ability, willingness and cooperation of successors. I observed these phenomena in each of my qualitative research. The incumbent's choice of fiduciary asset management (trust) as a transgenerational wealth transfer form was influenced by the lack of ability and experience of offspring or their lack of interest (lack of motivation) (Carr et al., 2016, Parker, 2016, Blumentritt, 2016, Burkart et al., 2003) when examined from the side of family characteristics. The risk of lack of cooperation between family members (conflicts between them) was already explicitly highlighted in two cases, while in the other cases only latent, later cooperation problems were assumed by the incumbents.

In case “A”, there was no successor at all suitable to take over or start the management of the family business, mainly due to age characteristics. Although the three eldest sons had already established independent businesses and were involved in the group as employees in the so-called mentoring programme, this involvement did not yet represent sufficient experience, skills and qualifications to take over the management of a group or sub-groups of 77 companies organised in a holding structure, according to the incumbent. The iteration process of management succession described by Handler (1994), the gradual takeover of the successor and the gradual handover of the founder, has not even begun, the founder has deliberately delayed it. It was only six years (2022) after the establishment of the trust the process (management succession) started, at the time of the research interviews.

In case “B”, the interest and motivation of the adult offspring and their professional career (background) were completely different from the business activities of the enterprise. They showed no interest from the outset in continuing the business of the audit and accounting firms built up by the founder, so the founder placed these businesses in trust, sold them and invested

the proceeds in monetary assets. He did not consider it necessary for the trustee to be succeeded within the family because the trust would expire without conditions, the benefits would be paid out when the grandchildren reached a certain age and the purpose of the trust would be fulfilled. The "C.1." and "C.2." cases, there was a successor capable of taking over the business, and the successors had already worked in the businesses for a shorter period of time. However, the incumbent did not plan to involve them directly in the management succession because, having reached adulthood, they had their own existence and different motivations, and were pursuing independent career oriented paths. In the event of the death or incapacity of the incumbent, only the eldest descendant was appointed as 'replacement trustee', and the other heirs were designated to oversee each corporate function.

In case "D", there is a successor with the skills and motivation, but the incumbents have designed the succession, transfer and acquisition of the necessary skills for the family business management position to be a ten plus ten years process. The handover has already started, but the designated successor is not yet sufficiently prepared. He also split the assets in two, leaving the original family business to a designated successor and the management of the assets segregated by trust directly to the beneficiary successors, using a so-called "protector" institution. In case "E", neither of the two adult successors was yet qualified and capable of taking over the management of the group. Only the younger daughter has the motivation to take over ownership and management, but the incumbent is only sixty per cent ready.

The lack of cooperation between family members characterised cases "A" and "D". Case "A" showed a complete lack of cooperation between the five children from mixed marriages. The tension between the children from the two marriages and between the current spouse and the offspring from the first marriage was pronounced and evident. There is a constant "keeping track" of each other's "situation", an accounting of finances that the founder is trying to manage. In case "D", the conflict between the two brothers had already developed during their employment in the family business, in the ninth year of the ten-year apprenticeship. The younger son therefore left the company and started his own business. The founder accomplishes the transfer of assets in two ways, (1) by inheriting the family firm by designation, or (2) by taking out the assets accumulated in the firm and establishing a trust. Although only one of the children is now involved in the family firm and will inherit the declared ownership and management position, the risk of cooperation between family members remains in the case of a trust. In order to force cooperation, the trustee made all three children owners of the trust company, but only appointed one of them, the middle son, as the operational trustee. Although, as a counterweight, he designated himself as protector in the trust deed for the rest of his life, the effect is only temporary, as conflicts may recur after his death.

In the "B", "C.1.", "C.2." and "E" cases, conflicts between family members over the transfer of property and the allocation of management positions had not even arisen because (1) the founder had already restructured the assets and monetised the family business due to the disinterest of the heirs (Case "B"), (2) because of mixed marriages and multiple heirs, the settlor had deliberately intended to establish a succession regime other than the statutory succession through the trust deed ("C.1.", "C.2." and "E"), but intended to achieve a joint and consensual decision by means of the proportions of decisions provided for in the trust instrument.

Based on my experience from the qualitative research of the cases and summaries above (see chapter 6.2.2 for a detailed description), statements 1.a. and 1.b. are confirmed.

Proposition 2 (company/asset (wealth) feature)
The family business portfolio includes more than one company.

In each of the cases examined, the trust's assets under management did not include a monolithic family business, but several assets. Prior to its creation, the family business was also characterized by a multiple business portfolio (Habbershon & Pistrui, 2002, Steier, Chrisman & Chua, 2015) and an entrepreneurial family concept. The explicit aim of fiduciary asset management is to create an optimal portfolio structure with multiple corporate holdings and monetary assets for tax purposes and/or long-term sustainability.

In case "A", a mixed-profile group of 77 member companies organised in a holding structure - general construction and manufacturing, energy, real estate development - covering the entire construction value chain was placed in trust. The company structure was established years before the asset deal, mainly with a view to establishing a centralised and long-term sustainable unified management and efficient governance structures (professionalisation). The preparation and implementation of the transfer of the assets in trust affected the group only to the extent that the minority shareholdings of third parties in the individual member companies and in the holding company in the form of a private limited company were bought out. The main reason for this was to keep information and decisions relating to asset management in the hands of private owners.

In case "B", the founder's interests included two businesses (accounting and auditing) and several movable property companies. The portfolio of companies was dissolved or restructured immediately after the trust was created. The form of trust was deliberately chosen at the time of its preparation, primarily with a view to optimising the ownership transactions between the companies. Here, the sustainability of the business was questionable due to the lack of interest and motivation of potential successors, and the founder sold the shares after the trust and invested the assets in a portfolio of monetary assets. Instead of the sustainability of the companies, the wealth management focuses on the future existence of the designated family members (beneficiaries) and ceases when the objectives are met.

In the cases of "C.1." and "C.2." three groups of companies, consisting of two health care companies and one real estate company, were also placed in trust. In both cases the shareholdings are minority, the companies are directly owned by their owners, no holding structure has been established. The trust period was short, initially five years (2016-2021), as it was established primarily for tax optimisation and restructuring of the group. The proceeds from the sale of the high value stake would be used to finance the other portfolio investments tax-free and to create new companies. The structure of the portfolio of assets under management has changed, as has the composition of the assets, but it is still characterised by a multi-company portfolio. The transgenerational wealth transfer function of trusts and the possibility of deviating from the statutory succession regime only emerged during the notarial trusts and came into focus during the second five-year trust period (2021-2026). The purpose of the asset settlement was primarily to determine the proportions of the distribution of the assets at maturity and not to ensure the long-term sustainability of the group.

Case "D" is special. Prior to the creation of the trust, the family business included several companies, general construction and property management companies. In preparation for the trust, these were "split" and the generational change, the transgenerational transfer of wealth, is also carried out in two branches. (1) The income accumulated in the business was extracted by the founder and, together with the real estate companies, a trust was established by a trust deed

for a long-term period of fifty years for sustainability. The funds in the portfolio of assets under management were reinvested at the declared portfolio management rates of 20-80% (monetary equivalents - real assets). The portfolio of assets under management includes several asset items (company, project company). (2) The succession, the transgenerational transfer of assets of the family construction business of the generational builder, which was purged of accumulated assets and "left behind", was carried out by designation, with the declared naming of a designated successor within the family.

In case "E", the use of trusts is linked to the splitting up (separation) of a family business group engaged in motor vehicle distribution due to a conflict between brothers, and secondarily for succession (transgenerational wealth transfer) purposes. The family business group was characterised by a structure of several horizontally organised member companies jointly owned by the brothers. The founder's shares in the joint family business group were transferred to the trust by way of a notarised trust deed and exchanged by gift between the founder and the family after the division of the group. Even after the split (share swaps), a multi-member family group was created with the founder (the trustee) as the sole owner. The trustee remained the founder trustee. Due to the demerger, the notarial trust was initially granted for a short period (2019-2024). The possibility of diverting the trust from the legal succession and the desire to maintain the assets (group of undertakings) in the long term only arose when the second phase was being developed.

Based on my experience in qualitative research of cases (see section 6.2.2 for details) and the summary above, statement 2 is confirmed.

b.) Related to the establishment process

Proposition 3 (company/asset (wealth) feature)

A holding company structure facilitates the transfer of assets.

Of the cases examined, only in case "A" did the group operate in a holding structure. In cases "C.1." and "C.2." and case "E", the incumbent's asset portfolio was also a group of corporates, but not through a holding structure, but through direct ownership stakes in a horizontal structure. In cases "B" and "D", no horizontal or vertical corporate structure was interpreted. In case "B", the trust was created specifically to sell the business and roll it into a monetary portfolio. In case "D", the trust was created by 'withdrawing' the assets accumulated in the family business to minimise risk.

There was a significant difference between the aggregate size of the groups of companies, between the aggregate size of the enterprises in the group's "A" and "C.1.", "C.2." and "E", which also explains the nature of the corporate structures. The differences in the size of the companies in the categories "C.1.", "C.2." and "E" belong to the category of small and medium-sized enterprises with a flat, horizontal corporate structure. The enterprise in case "A" belongs to the large enterprise category with a vertical and activity-based family group structure organised in a holding structure. The group of companies in Case A, which is engaged in general construction and manufacturing, energy production and energy equipment, real estate development and operation, organised into divisions and sectors and operated in a holding structure, has annual consolidated turnover of HUF 234 billion (2023). and "C.2", the group of companies active in the health sector has a combined annual turnover of HUF 4,5-5 billion (2023), and in "E", the group of companies active in the motor vehicle distribution sector has a combined annual turnover of HUF 4,2 billion (2023).

In none of the cases did the corporate structure of the enterprises prior to the trust - a group of companies structured as a holding company ("A") or with direct ownership shares ("C.1.", "C.2.", "E"), and a single-actor monolithic family business ("D") - have an impact on the time required to establish the trust and on the design of the trust characteristics. In each case, the establishment took between six months and one year. The development of trusts was influenced by variables independent of the corporate structures: (1) the creation of trusts by means of a trust deed (Cases "A" and "D") or by means of a notarised trust ("B", "C.1.", "C.2." and 'E' cases). (2) Whether the trust is entrusted to a newly established independent trust company with legal personality ("A", "D" cases) or whether the trust is administered by the settlor himself ("B", "C.1.", "C.2.", "E"). (3) To what extent does family cohesion and the relationship between family members (mixed marriages, multi-family offspring, etc.) require a regulation of the scope of beneficiaries and benefits (from the return on the assets and the distribution of the initial capital at maturity).

The statement can be formulated in an inverse way. A large company with multiple business activities can facilitate trust administration if the group is already organised into a holding structure. Portfolio management of the assets under management is then easier to establish because the holding structure has the group's organisation, governance, controlling and risk management functions in place.

Based on my experience in qualitative research of cases (see section 6.2.2 for details) and my findings above, I cannot confirm statement 3, with the addition that the fiduciary management of a large corporate group with multiple business activities is facilitated by the corporate structure organised in a holding structure.

Proposition 4 (company/asset (wealth) feature)

The degree of corporate professionalisation facilitates the successful completion of the establishment process.

In all cases, there was a transfer of companies owned by incumbent trustees for 30 to 40 years, from the time of their establishment, into trusts. The companies described an organic development path and in the cases corporate professionalisation was already advanced before the establishment of the trust. In the cases, it was well traced that the multiple dimensions (Stewart & Hitt, 2012) and extent (level) of corporate professionalisation, internal operational structures, decision-making competencies, financial-controlling reporting systems (Kellermanns, 2005, Giovannoni et al., 2011), HR functions elaboration and the involvement of external managers in governance (Dyer, 1989, Klein & Bell, 2007, Chittor & Das, 2007) were established and influenced the finalisation of the fiduciary asset management design. Regardless of whether the trust is managed by a separate organisational form, by a separate legal entity with a trust deed, or by a declaration of trust made before a notary, the trustee manages the trust on his own. The arrangements have been in place for between six months and one year. In all cases, the existence of professionalisation facilitated the process of setting up and successfully completing trusts, but trusts also introduced new dimensions to the professionalisation of corporate and fiduciary management. Immediate in the case of trusts separate from the identity of the settlor, and delayed in the case of the identity of settlor and trustee. The primary impacts have been in the restructuring of decision-making structures (hierarchy development) (Cases "A", "D", "E"), the introduction of risk-aware portfolio management (Cases "A", "B", "D"), financial-controlling reporting and asset accounting and value tracking systems (Cases "A", "C1.1", "C.2", "D").

In case “B”, the impact of corporate professionalisation could only be assessed in the process of asset management, not in the operational phase of asset management. The trust was specifically set up to ensure the sale of the founder's business and tax optimisation, not the survival of the business. The companies providing audit and accounting services originally entrusted to the trust were no longer included in the portfolio of assets under management at the time of the audit. The proceeds of the sale were invested exclusively in monetary assets and the trustee-trustee's purpose in setting up the trust was to provide its own and the second generation's (cousin community) means-tested existential support.

In case “A”, the large corporate group was already restructured into a holding structure organised by sectors and divisions by activity ten years (2006) before the transfer to trust. The founder's business, with a history of more than forty years, is the result of organic growth. The company's organisational and operational systems and decision-making levels have been built up continuously, and it has a group-wide decision management system (holding and member company management systems). The member companies are managed by external non-family managers, either self-taught or acquired from competitors, although the founder's influence on the company's operational management is still decisive. Financial and controlling reporting systems are in place. In the human resources area, annual and biannual employee performance appraisal systems have been introduced. The areas providing services to the member companies (accounting, car rental, IT, marketing and communication) have been reorganised into separate internal divisions (cost centre). The asset transfer was consciously prepared for a transgenerational transfer of assets and for the sustainable growth of the group. The degree of professionalisation was already high at the time the trust structure was set up, which facilitated the establishment of the trust structure and the transfer and management of the assets under management. Following the settlement of the trust, changes were made to the portfolio management of the assets under management, which triggered a "new wave" of professionalisation. Portfolio-level risk management systems were established and decisions on individual asset items (sale, dividend withdrawal rates, new developments and acquisitions, etc.) were left to the discretion of the asset manager. New systems for monitoring changes in the value and growth of assets have been set up.

In the cases of "C.1." and "C.2." the settlor-founders are equal minority owners. The internal structures, rules of organisation and operation, controlling and HR systems of each member company were already in place before the transfer of the assets. Although the trustees are also the asset managers, the founders can only assert their interests in the decision-making of the owners, and the companies are managed by boards of directors that decide on the management of the companies. In operations, they perform functions appropriate to their professional qualifications. The full professionalisation of the operation was ensured by the fact that, five years before their holdings were placed in trust, a financial investor had already invested directly in the companies as co-owner (40%). In line with the financial investor's requirements, the company's organisational and operational structures, decision-making mechanisms, controlling and reporting systems have been professionalised.

In case “D”, the family firm is still dominated by the founder. Over the last thirty-five years, the company has been on an organic development path, with decision-making, management and organisational systems evolving continuously. There is no founder-independent operation yet, but this has not affected the development of fiduciary asset management, which has been achieved by 'taking out' the assets accumulated in the family business and placing them in independent fiduciary management. And the professional operation of the trust was ensured by

the appointment of an operational trustee with the appropriate skills and qualifications and the use of a protector institution. The other part of the trans-generational transfer of wealth, the succession of the family business, was not carried out through the use of a fiduciary trust arrangement but through successor appointments, where the development of corporate professionalisation is continuous.

In case “E”, before the asset deal, the group also had a history of more than thirty years, with established and functioning internal governance, control and decision-making systems. Professionalisation was mainly lacking in the area of human resources. Although all the companies in the group are managed by independent managers, the influence of the owner(s) on the operational management of the business is direct and not yet separated from their personalities. This situation is also characteristic of the operation of the companies included in the assets under management of the trust established following the collapse of the owner brothers. Fiduciary and portfolio management in the "classical" sense has not yet developed. The influence of the same trustee on the companies is still direct, which hinders the development of professionalisation and also hinders the development (closure) of independent asset management.

Based on my research experience, the conclusions drawn from the qualitative analysis of the cases (see chapter 6.2.2 for details) and the above summary, statement 4 is confirmed.

Proposition 5 (company/ asset (wealth) feature)

The role of the general and non-tradeable intangible asset group in the business of the enterprise affects the financial and time resource requirements of the transfer.

The general and non-marketable intangible asset group (Gedajlovic & Carney, 2010), the social capital (network of relationships) within the firm, the external network of relationships (owner-manager), reputation and tacit knowledge were significant in all cases except case “B”. Differences between cases are due to the industry specificity of the business and the history and intensity of founder-owner involvement. In Cases “A” and “D”, the importance of the general and non-tradeable intangible asset group is high due to industry specificities and the resource costs of transfer are high. In the cases of “C.1.”, “C.2.” and “E”, the general and non-tradeable asset groups are significant (also because of industry specificities), but the financial and time resource requirements of the transfer (entrustment) have not been affected because the identity of the transferor and the trustee (transferee) are the same.

In case “A”, the social capital within the company, the owner's network of contacts, the reputation of the company over the years and the founder's specific and company-specific knowledge are also of paramount importance in maintaining the business and in its growth and development. The company is predominantly active in the construction sector, carrying out general construction and manufacturing. External subcontractor, customer and authority relationships and reliability are of paramount importance in this sector. Processes (execution of construction projects) are less standardised and therefore the importance of personalised knowledge and its transfer is significant. The founder has systematically started to involve external company managers years before the establishment of the fiduciary management structure (2016) and before his planned retirement at the age of sixty-five (2024). It has built internal processes and systems to ensure the long-term survival of the asset group. It has introduced internal organisational development and company-specific business development training, corporate loyalty programmes, and promoted an internal corporate values framework that emphasised the importance of these intangible assets. However, knowledge transfer to

family members was delayed. At the time of the trust arrangement's creation, the successors were considered unsuitable to be involved in the business and to transfer management functions, due to their age, lack of skills, education and motivation. The situation was exacerbated by the conflicting interests of the successors, due to their different marital backgrounds. However, seven years after the establishment of the trust arrangement (2023), as the founder approached retirement age, he suddenly realised the importance and benefits of involving family members, transferring management functions within the family and the need for knowledge transfer. She therefore devotes considerable resources (financial, time and external management capacity) to training her three designated older sons, to gaining experience and knowledge, to 'fast-tracking' the transfer of her tacit knowledge and network of contacts related to her person. This was envisaged as part of a prioritised 'mentoring' programme tailored to their individual needs. The role of the general and non-marketable intangible asset group in the company is significant. The handover (transfer in trust and succession of management positions within the family) required significant financial, human and time resources.

In case "B", it did not make sense to consider the role of the general and marketable intangible asset group linked to the company (intra-company network, external network capital, reputation, tacit knowledge). The sale of the business was agreed before the trust was placed in trust, was sold immediately after the trust was placed in trust, and the proceeds of the sale were already invested in monetary assets. The group of intangible assets related to the business of the company was therefore not relevant to the design of the trust arrangement. It would have been if the company had remained in the portfolio of assets under management and continued its business.

In the case of "C.1." and "C.2." social capital within the company, reputation and tacit knowledge linked to the person are of importance, following the organic development of the company over the last thirty years, and in the health sector in particular reputation. The time and financial resources required for the transfer (trust) were not affected by these elements, as the trustees themselves were named as trustees in the trust deed. The transfer of the general and non-tradeable intangible asset group is not significant because (1) the founders used the trust arrangement for tax optimisation and there was no question of transferring the operation and management functions to the successor generation; (2) the minority shareholding of the trustors has no direct influence on the operational management.

Because of the special construction of case "D" - the split between the transfer of assets from one generation to the succession of the family business by designation and the transfer of the assets from the family business to a trust - the role and transfer of the general and non-marketable intangible assets to the successor generation is only relevant in the first case. The weight of general and non-current intangible assets in the business is significant. Due to the specificities of the construction industry, internal (in-house) cooperation and external (suppliers and subcontractors, clients) relationships, reputation and the founder's knowledge and experience accumulated over the last thirty-five years are decisive. The founder invests considerable financial, time and human resources to ensure a smooth handover. In order to transfer (succeed) the "general and non-marketable intangible assets" of the family construction business generator, with a philosophy of "whoever does it, owns it", a ten plus ten year programme has been announced for the successors, with compulsory employment in the company.

In the case of "E", the nature of the car distribution and rental business makes it more important to maintain corporate reputation and the tacit knowledge of the founders and to transfer it. In

this case, too, the trustee appointed itself as trustee at the time of the transfer of the assets (at the time of the establishment of the trust itself), and therefore the asset group had no direct impact on the financial and time resource requirements of the transfer at the time of the transfer to the trust. However, in the second five-year cycle of the trust, the focus was no longer on tax optimisation objectives but on succession planning and going concern. The founder has involved his more ambitious younger daughter in the operation for eight years, with the aim of handing over the business and ensuring the sustainability of the group, whose readiness is still only sixty percent.

Based on my experience in qualitative research of cases (see section 6.2.2 for details) and my findings above, statement 5 is also confirmed, with the addition that the group of general and non-tradeable intangible assets plays a significant role in transfers where the purpose of the trust is explicitly sustainability, the continuation of the business. Not tax optimisation or the creation a different succession order other than the legal succession as a primary objective.

Proposition 6 (family characteristic)

The existence and elaboration of a family agreement (constitution) reduces the financial and time resources needed for its establishment.

There was only one case of a family agreement (constitution) before or after the creation of the trust. In case “A”, the incumbent developed the family constitution first, prior to the establishment of the trust structure. In it, he summarised his philosophical underpinnings of the family business, family, care, succession and succession, and sustainability. It was intended as a complete set of standards and a code of conduct for the family. The family constitution that was drafted influenced the conceptual design of the trust, but did not materially affect the time or financial resources needed to develop it. After its signature by all family members, the construction of the trust administration scheme began, which took more than a year from the conception of the concept to the conclusion and registration of the trust deed. Based on the interviews, the concepts and principles used in the family constitution for the trust deed had to be completely reinterpreted and elaborated. External legal advisors were used in its drafting, who did not consider the constitution suitable for transposition into the contract. The family constitution only provided conceptual support for the development of the trust regime. Both the family constitution and the trust deed reflected the settlor's priorities of (1) continuing family traditions and maintaining family unity, (2) providing for the future care of family members, and (3) maintaining, preserving the value of and ensuring the growth of family/corporate assets.

In the other cases, no family agreement (constitution) has been drawn up. Its necessity was not even conceived when the trust was created or afterwards. Therefore, the need for and impact of resources on the development of trusts could not be assessed. This may be because in some of the cases (“B”, “C.1.” and “C.2.” cases) the aim was different than a succession or transgenerational wealth transfer (e.g. tax optimisation). In cases “D” and “E”, as the role of trusts has become more focused on the role of transgenerational wealth transfer, the incumbent trustee already feels the need to set up a family norm system based on the experience gained in the course of the operation since the start of the trust. In case “D”, work on this has started and will be called a “founding resolution”. In case “E”, the founder, who is both the settlor and the trustee, has only just thought of the idea of extending the next phase of the trust, as the intention of transgeneration has been strengthened.

Based on the results of qualitative research of cases (see section 6.2.2 for details) and the above, I can neither reject nor confirm statement 6. Further research is needed, with the addition that in situations where the primary purpose of trusts is the transgenerational transfer of assets, the need for a family agreement (normative regime) arises at least after the start of operation.

c.) Related to the operational phase

Proposition 7.a. (family effect)

The introduction of fiduciary management (trust) reinforces the professionalisation of the family ownership subsystem.

Proposition 7.b. (family effect)

The introduction of trust weakens the family corporate identity of family beneficiaries.

Proposition 7.c. (family effect)

The introduction of fiduciary asset management weakens the ability to use family resources in the company for the benefit of the company.

The fiduciary construct limits the transfer (succession) of the ownership position, "postpones" it, and does not limit or exclude the transfer of the management (corporate governance) position. In cases where trusts have been the primary purpose and instrument of a transgenerational asset transfer, all three phenomena have been observed. In cases where the purpose of the use of trusts was different (tax optimisation, group splitting) and succession and transgenerational wealth transfer only arose ex post, family effects were absent or only partial and ex post.

In case "A", the trust was specifically designed to ensure the transgenerational transfer of wealth, the survival and growth of a group of companies organised into a holding structure, which provides a basis for the care of family members. The trust and the separate legal entity trustee were established in such a way that no family member beneficiaries other than the settlor were involved, and had no direct ownership interest in the trust. In parallel to the establishment of the trust, the institutional arrangements for the family governance structure were set up in accordance with the principles laid down in the family constitution and the provisions of the trust deed (Gersick et al., 1997, Suess, 2014). The operational framework for the beneficiary assembly and the family council meeting was defined. In fact, the family council has been activated because only the first generation of direct descendants (the sibling community) is yet present in the family structure. The family council is the owner subsystem of the family. The family council is an owner subsystem that operates within a regulated framework and meets at regular intervals and according to a predetermined annual schedule and agenda. The family council has an organisational and operational regulation (OOP) governing its internal functioning. Its decisions are taken by formal procedure, by open or closed ballot, in the form of resolutions. Its decision-making powers cover: (1) the use of the free cash resources of the return generated by the assets under management on the initial capital over and above the fixed amount of the allocations set by the founder (support for various objectives, philanthropy); (2) the representation of the final ownership of the assets under management, without the right to instruct, vis-à-vis the trustee. The trustee shall be required to report regularly on the portfolio management of the assets under management and on the development of the return on the assets (accumulated return on initial capital) and the value of the assets. The professionalisation of the family council (a sub-system of family ownership) has been strengthened with the establishment of structured operations.

The corporate identity of the family beneficiaries (their identity with the family firm) was not affected by the trust. The family members' image of the company and their intention to contribute to the family business are completely independent of the design of the trust arrangement. In the design of the trust, the company was seen as the founder's 'playground' and no commitment was shown. The reason for this was twofold: on the one hand, their age (they were minors at the time of the trust) and, on the other hand, the founder's 'mistake' and intention prevented them from having the opportunity to get to know the group and its activities. Following the establishment of fiduciary management and the introduction of formalised governance structures (family council), they receive regular information on the assets under management and the group's activities. They have started to get to know the group in detail and their corporate identity is gradually being strengthened.

The involvement of family resources was initially limited by the founder. When the trust was set up, the founder explicitly excluded family members from participation in the family business because of their lack of skills, lack of education and their unsuitability due to their age. In the eighth year after incorporation, upon reaching the age of majority and obtaining their qualifications (2023), the incumbent took the initiative to employ the eldest three sons in the group. Through a personalised "mentoring programme" at different levels of the company hierarchy. The commitment of the three boys to the family group and to taking over the management function has been strong. For the other two beneficiary family members, the commitment to the family company remained unchanged and passive. Both of them see their careers as completely independent from the family business. Fiduciary trusteeship has not at all precluded the succession of the family member's corporate governance function, management, within the family, and in fact it is the explicit intention of the founder to have family members in the management positions in the long term.

The "B" and "C.1.", "C.2." cases, trusts were not primarily used for the purpose of transgenerational wealth transfer, but to transact the assets within the trust and to create an optimal tax structure. In none of the cases was a family ownership sub-system created, with beneficiaries being "point" and individually involved, due to priorities other than transgenerational wealth transfer. Beneficiaries have no corporate identity, family resources are not involved for the benefit of the business, or are involved in the way the trustee-trustee decides upon death. Typically, the settlor has specified in his trust instrument the beneficiary who is to take over the administration of the trust upon his death ("B" and "C.1", "C.2" cases) or has designated the administration of the trust among the beneficiaries in the event of his death ("C.1" case).

In case "D", the development and professionalisation of the family ownership subsystem was observed with the establishment of trusts. The special construction, the bifurcation of the transgenerational transfer of assets, the succession of the family business by designation and the placing of the assets highlighted from the family business in trust, resulted in different behaviour of the family members. (1) The placing of the assets highlighted from the family business in trust on their own and the establishment of a legal trust, owned by the three beneficiaries, created an artificial ownership subsystem among family members. The joint ownership of the assets meant that the brothers and sisters were forced to cooperate with each other in operations and decisions by the founder. Since its creation (2019), the trustee's operation has therefore become increasingly professionalised, with procedural rules and control mechanisms (co-voting, etc.) for preparing decisions (identifying and implementing new investment opportunities). This has been supported by the creation of a protectorate. The role of the operational trustee is exclusive and dominant in the preparation of decisions and in the

decisions themselves, due to the designation of the founder trustee. Therefore, the other two beneficiaries have become passive, disinterested in portfolio management and in the operation of the real asset investments of the assets under management (real estate investments and operations). They have not developed an identity for asset management, and their resources for asset management are limited (e.g. the husband of the daughter beneficiary performs legal services). (2) The transfer of the family business providing general construction services is by designation to the elder son. There is no community of ownership or sub-system in this case because the designated one becomes the sole owner of the business. The identity of the elder son to retain and continue the family business character is enhanced by the designation. He intends to devote his resources and capacities entirely to the family business after the takeover, with the trust becoming a 'passive' trust.

In case "E", the primary purpose of the trust structure is to achieve a tax-optimal division of the brothers' group of companies. The succession of the family business group and the transgenerational transfer of wealth only came into focus with the establishment of the second trust cycle. There is a community of ownership between family members and the beneficiaries named in the trust, but with founder dominance. The nature of the operation is unchanged, the management of the companies is similar to the situation before they were placed in trust, the development of autonomous operations independent of the founder, and professionalisation is still incipient. The family business identity of the family beneficiaries was not affected by the trust (they reacted neutrally). The availability and use of their resources, especially in the case of the younger daughter beneficiaries, was significantly enhanced by the trust arrangement. The younger daughter was designated as a substitute beneficiary in the event of the death of the trustee. It has been intensively integrated into the group's ownership supervision and also performs significant operational tasks (commercial, legal, etc.).

On the basis of the above, I confirm statement 7a and reject statements 7b and 7c. With the addition that in situations where the primary purpose of the fiduciary asset management (trusts) is the transgenerational wealth transfer, all three phenomena can be observed. In cases where the primary purpose of the application of trusts is different (tax optimisation, group restructuring, divestiture) and the succession, transgenerational wealth transfer function is only secondary, the family effects do not prevail, or only partially and ex post.

Proposition 8.a. (corporate/asset (wealth) impact)

The introduction of fiduciary asset management will strengthen the further professionalisation of the business.

Proposition 8.b. (corporate/asset (wealth) impact)

The size and operation of at least one of the companies in the family business portfolio requires professionalisation.

In case "A", a group of companies organised into a holding structure of seventy-seven companies was placed in trust. Corporate professionalisation had already begun in several dimensions (Stewart & Hitt, 2012) long before the trust was granted (2016), with the establishment of the holding structure (2006). Corporate operational and organisational structures were developed, decision-making competencies were defined, financial-controlling reporting systems were established (Kellermanns, 2005, Giovannoni et al., 2011) were introduced, human resource functions were developed, and external professional managers were involved in management (Dyer, 1989, Klein & Bell, 2007, Chittor & Das, 2007). As a result of organic development, the emergence and strengthening of professionalisation was

inevitable as the group grew. With the establishment of a fiduciary asset management structure and the introduction of a fiduciary management system, mainly through the exercise of ownership control and decision-making rights, professionalisation continued and a 'new wave' of professionalisation was set in motion. The portfolio management and risk management guidelines and rules of the trustee entrusted under the trust deed have been adopted by the group, with a corresponding proprietary investment policy. The form and content of the proposals for decisions to be submitted to the owner have been defined. A supervisory board elected by the trustee has been set up to monitor operations. From the top down, the group's organisation (sectoral classification based on a value chain) and decision-making powers (hierarchical structure of decision-making limits) have been reorganised in line with the expectations of the trustee owner. Reporting systems (continuous monitoring of consolidated assets and capital value) and HR functions (performance evaluation and a bonus system based on global corporate value growth) reflecting the interests of the owner have been introduced. All this has led to a further professionalisation of the holding and its member companies in all dimensions.

In case "B", the further professionalisation of the business through the establishment of a trust was not meaningful. The trustee sold its operating businesses immediately after the transfer of the assets and the assets under management now consisted primarily of monetary assets, financial investments and, to a lesser extent, real estate investments.

In the case of "C.1." and "C.2.", the emergence of professional corporate operations is the result of organic corporate development (30-year history) and the involvement of external financial investors. The direct presence of a professional financial investor in the enterprises, even before the establishment of fiduciary asset management, required a restructuring of the corporate structures and decision-making competences (setting up of boards of directors, introduction of ownership reporting systems, etc.). The establishment of fiduciary asset management did not directly generate (reinforce) further professionalisation of the enterprises, because the fiduciary asset managers have a minority stake, which only allows the assertion of indirect ownership interests.

In case "D", the impact of the introduction of trusts on professionalisation is twofold due to the specific succession situation. (1) In the case of succession of a general contractor family construction business by designation, the business continues to operate with single ownership and an unchanged organisational form. Professionalisation of the company is a necessary consequence of organic development (over the last thirty-five years). There is no direct effect of succession of ownership and management positions; the founder also envisages a long succession process (10+10 years) in which corporate professionalisation continues to be a consequence of organic development. (2) In the case of trusts based on segregated assets, professionalisation concerns the management of assets. It can be linked to the allocation of monetary assets to the assets under management, as well as to new developments and project companies (real assets). New foundations have led to the strengthening of professionalisation, mainly through the integration of appropriate professional knowledge and skills. The "personalised" professionalisation was in fact unilateral, because one of the three children was highlighted and became dominant in the decisions.

In case "E", the fiduciary's transgenerational wealth transfer function and corporate professionalisation were reinforced in the second half of the first fiduciary period (2019-2024). The designation and integration of the founding trustee's younger daughter as a substitute

trustee in the ownership of the portfolio companies triggered changes, mainly in the operational field (change of management powers, decision-making competences, etc.).

In cases where trusts were primarily used for the long-term sustainability of the business (assets) and for the purpose of transgenerational wealth transfer, the introduction of the scheme has had an impact, enhancing the professionalisation of the business (and of asset management). In the case of wealth management arrangements established for other purposes (mainly tax purposes) rather than for trans-generational wealth transfer and sustainability, corporate professionalisation is the result of the organic development of the enterprise. In those cases (cases “A” and “D”) where the trustee and the trust are separated and the trust activity is carried out by a separate entity, a 'new wave' of professionalisation can be observed. In other cases (cases “C.1”, “C.2” and “E”), corporate professionalisation continues as a result of organic corporate development. In none of the cases examined was professionalisation necessitated by the size and operation of any of the companies in the portfolio of assets under management.

On the basis of the above and the results of the qualitative analysis of the cases (see section 6.2.2 for details), claim 8a is confirmed, while claim 8b is rejected. I argue that the fiduciary asset management as a transgenerational wealth transfer pattern is primarily related to the succession and sustainability of the family business, where corporate professionalization is necessarily reinforced by the development of portfolio management of corporate assets.

Proposition 9 (company/asset (wealth) feature)

The introduction of fiduciary asset management has a value-preserving and value-enhancing effect on the assets under management.

In each case, sufficient time has elapsed since the inception of the trust to allow its value-preserving and value-enhancing effects to be assessed. The value-preserving and value-enhancing impact of the trust could be approximated by comparing the value of the initial capital of the assets under management with the aggregate equity values of the current assets under management. The value of the assets under management is the consolidated equity for a group of companies organised in a holding structure (Case “A”) and the aggregated value of the equity of each company for a group of companies structured with direct ownership (cases “C.1”, “C.2”, “D”, “E”). In the cases examined, the assets under management included only company shares and monetary assets. 100% of the assets under management are monetary assets in case “B” and 20% in case “D”. The initial capital value and the current equity value of the company shares were available on the website of the court of registration (e-report) and in the OPTEN company information database, with individual access. For monetary assets, the initial capital and current value were provided during the interviews. The change in value of the assets under management by case (cases “A” to “E”) is presented in Figure 75.

Figure 75: Estimated change in value of assets under management in the cases

	Beginning of the fiduciary asset management (trust)	Number of asset (corporates) managed	Value of capital at the date of property order (Mft)		Date of the valuation ("desk top")	Current value (Mft) (Net Asset)	Change in value (Mft) Δ	CAGR
"A"	2016.	77	11 398	<i>consolidated</i>	2023.	66 491	55 093	29%
"B"	2019.	<i>only monetary assets (financial investments / instruments)</i>				700		
"C.1."	2019.	3	1 406	<i>not consolidated</i>	2023.	2 154	748	11%
"C.2."	2019.	3	1 406	<i>not consolidated</i>	2023.	2 154	748	11%
"D"	2019.	3	4 000	<i>not consolidated</i>	2023.	4 428	428	3%
"E"	2019.	5	6 654	<i>not consolidated</i>	2023.	9 585	2 931	10%

Source: e-report, OPTEN database and own editing

In the cases of "A", "C.1.", "C.2." and "E", the cumulative average change in the value of assets under management (CAGR) over time is between 10% and 29%. In case D, the lower CAGR (3%) is explained by the fact that 90% of the initial assets under management were placed at the disposal of the trustee by the founder in monetary assets, which were gradually invested in real assets (real estate investments) over the period. By the end of the period (2023), the ratio of monetary assets to real assets had reached 20-80%. In case B, the assets under management are entirely monetary assets. For reasons of traceability, the values are not weighted by actual ownership shares, but the rates of change (growth) in value (CAGR) are necessarily the same for the equity shares. Different values would be obtained - presumably higher - if the values of the elements of assets under management, company shares and real assets were approached using other valuation methods (see for example net present values, NPV values calculated on the basis of future earnings based growth).

Based on the above derivation and the calculations based on qualitative research of cases (see chapter 6.2.2 for details), statement 9 is also confirmed.

7. Summary and evaluation of results

In my doctoral dissertation, I discussed the fiduciary asset management form of the transgenerational wealth transfer. I investigated the functionality of fiduciary wealth management in generational wealth transfer and set up a proprietary model of the processes of fiduciary wealth management structure associated with the succession of family businesses. The research *examined the question of* what logics are activated in decisions about transgenerational wealth transfer and the choice of trust wealth management as a form of transgenerational wealth transfer and how, what factors and variables are affected in the specific situations characterised by individual actors. The *purpose* of my research was *twofold*. One is to provide a theoretical overview of the role of trust management in transgenerational wealth transfer, for which I have set up a typology of variables that systematically determine the functionality of the institution and the process of its formation. Another aim was to provide a comprehensive and in-depth picture of the transgenerational wealth transfer strategies and transfer processes of the founders of private enterprises in Hungary, using qualitative and quantitative research methods. To empirically investigate the suitability of this relatively new form in the Hungarian legal system, and the reasons and circumstances under which private enterprises apply transgenerational wealth transfer (succession).

In particular, I have taken the following aspects into account *in building the theoretical framework of the research*.

- (1) Transgenerational wealth transfer is part of the succession of family/family-type businesses, one of the *formal frameworks* for which can be fiduciary asset management (trusts). Its application is determined by the nature and strength of external variables - economic, legal, social, environmental, etc. - and internal variables, both corporate/business and family/individual.
- (2) The critical point of the fiduciary asset management (trust) structure and its process model for succession of family businesses is the *definitions* and interpretations of *concepts*. In the international family business literature, there is no exact homogeneous definition, no uniform definition of family, family business/enterprise, the content of transgenerational wealth and wealth transfer. For the purpose of my dissertation, I therefore considered it necessary to conceptualize the attributes of the transgenerational transfer of wealth of family/family-type businesses. In addition to defining family, succession and wealth, I clarified the conceptual framework of transgenerational wealth transfer, transgenerational wealth and family business vs. entrepreneurial family, the role of portfolio and risk management in the operation of wealth and in the transfer of wealth.
- (3) I consider fiduciary asset management (trusts) to be at the interface of law and economics, where the set of *property (wealth) and personal family variables* underlying the formal legal institutional system determines the actual form and content of the trust. I review in detail the legal and economic interpretations of the institutional framework in the international and domestic literature and then take stock of the forms of wealth transfer that can be associated with generational wealth transfer. I have introduced the concept of the “wealth management wedge” for those arrangements which, by placing the asset between the transferor, the settlor and the beneficiary or heir of the asset, temporarily, typically in their own name and as 'quasi' or actual owner, manage the assets under management for a limited period of time.

To theoretically ground my research, I investigated the intersection of fiduciary asset management and transgenerational wealth transfer. I focused on *the functionality and economic content of trusts* rather than on the legal interpretation of trusts (in rem vs. contractual). In my interpretation, a fiduciary asset management is the transfer to a trustee of the right to dispose of the property (or elements of property) under trust for a limited period of time and for a specific purpose or in order to perform a task. In substance, I interpret a trust as a time-shifted (forward) exchange transaction where a fiduciary obligation arises between the two dates of transfer and release. The fiduciary duty covers the preservation (maintenance) and appreciation of the total value of the transferred assets, the aggregate value of the portfolio of assets. It includes the payment of the income generated by the trust during the trust period and the maturity issue of the value of the initial capital of the assets transferred at the beginning of the trust period. The other dimension of my research was to examine *the process of transgenerational wealth transfer* in relation to the succession of family/family-type businesses. My starting point was the common attributes of family firms in the literature, namely their transgenerational nature and their long-term survival intention (Chua et al., 1999, Zellweger, 2017). In order to logically explore the applicability of fiduciary wealth management, I identified, parameterized and systematized the variables influencing the process of transgenerational wealth transfer and the choice of fiduciary wealth management form. By grouping the variables according to objective environmental factors and specific internal characteristics, I tried to define focal points and identify specificities. I have used these to further nuance the applicability of trusts as a

transgenerational wealth transfer form and place them in a system of alternatives to wealth transfer forms associated with succession to family/family-type businesses.

There was no explicit model for the function and process of fiduciary asset management in the international literature. This is due to different economic development, social and societal traditions and different legal systems. However, on the basis of the international literature review carried out according to my preliminary typology, a model of the structural design and functioning of trusts has emerged for me.

In the course of a literature review organized according to my preliminary typology, I have identified the following *critical points and made suggestions* for the successful application of fiduciary asset management (trusts) as a form of transgenerational trust management:

- a.) The contradictory paradox of *value preservation vs. value enhancement* in asset management can be resolved if the strict asset preservation responsibility approach is shifted towards modern portfolio-based management.
- b.) In managing the investments and risks of a portfolio of assets, a "*prudent investor*" approach should prevail over a "*prudent man*" approach.
- c.) Fiduciary asset management (trusts), where the trustee must act in the *best and not the exclusive interests* of the beneficiary, based on the principles of discretion and impartiality.
- d.) A fiduciary asset management (trust) is an *intermediate institution* wedged between the settlor/ owner (family member) and the beneficiary (family member). The trustee can be a natural person, but typically exists in an organisational and operational (governance) structure separate from the owner and the estate and in the form of a separate legal entity.
- e.) *Multiple agency situations* arise: dual agency in the owner-asset (wealth) manager-corporate manager relationship, and dual principal-agent in the trustee-beneficiary-asset (wealth) manager relationship.
- f.) The trustee's organisational structure and decision-making structure, as well as the overall asset management policies set out, are a counterweight to the risks associated with *agency costs*.

My main findings from the literature review were.

- a.) Family businesses *become heterogeneous* after the first generation, due to multiple successions from the point of view of family ownership. Family ties are loosened, and monolithic communities can develop into conflicts of interest.
- b.) The *family content* changes. The classical norm-religious value system is being replaced by a different concept of the family due to the different developments in different societies.
- c.) The *variables of succession resulting from the attributes of the natural person* or community of persons - the personality, will and abilities of the transferor (incumbent) and the heir (successor), the degree of family embeddedness, the internal structure of the family - limit the realistic succession alternatives for a given situation.
- d.) As companies grow, they become larger, more opaque and complex, and they *become more distant* from the family. The family is no longer in control in the same way as in a smaller one-man/founder-run business.

- e.) A common attribute of family firms is their transgenerational and long-term survival intentions (Zellweger, 2017). Succession strategies and wealth transfer alternatives are determined by *the “institutional matrix”* of external variables of wealth transfer and by *specific variables* arising from the structure and functioning of the family and the wealth (business).
- f.) With the separation of ownership (assets) and control (management), the *agency problem* also appears in the family business, increasing agency costs. Multiple ownership also leads to *conflict* between family members and associated costs. This justifies the use of intermediaries, the wealth management wedge, including trusts (fiduciary asset management wedge).
- g.) *Trust* is the cornerstone of social, societal and business relationships (Carney, 1998). Trust will also be the cornerstone of the separation of family and wealth, and the separate management of wealth.
- h.) The alternatives to the formalisation (institutionalisation) and application of the *wealth management wedges* (fiduciary asset management wedge) are influenced by the legal institutional system (legal regulation), historical characteristics and the traditions specific to a given society.
- i.) In developing, emerging legal systems, in transition economies such as post-change Hungary, *the adaptation of institutions* is also possible because the economy and its institutional systems are in the process of being developed.
- j.) One of the most widespread *forms of the wealth management wedge* in Europe is the trust, whose Hungarian equivalent is the fiduciary asset management. The institution was introduced into the Hungarian legal system by Act V of 2013 (the new Civil Code). The content of the regulation follows the portfolio approach to asset management.
- k.) Fiduciary asset management (trusts) *can be linked to situations of* transgenerational wealth transfer. These situations may be caused by (1) the characteristics and particularities of the particular situation of the asset (business enterprise) or (2) the life situation and characteristics of the settlor (creator) and/or the beneficiary (beneficiary).

Definition of a *conceptual theoretical framework*. Based on the critical points, assumptions and main findings identified from the literature review conducted according to my typology, the theoretical framework of my research was defined as follows.

1. Fiduciary asset management (trusts) *are a real alternative form of* transgenerational wealth transfer. It can be a means for the founders of a family/family-type business to develop an intergenerational succession strategy.
2. To put a family business into a fiduciary asset management (trusts) are a sequential series of steps and decisions for which a *process model can be created*.
3. *There are three main phases in* the process model: preparation, establishment (design) and operation or maintenance.
4. The establishment (design) phase consists of further *stages*, the process is *not linear*. The output of each stage affects the input variables of the next stage of the process or feeds back to previous stages (iteration).
5. In parallel, there are *two dimensions* putting family business into fiduciary asset management (trusts) form. The corporate/firm line represents the portfolio of assets under management, while the family line defines the internal structure, the relationship

between the assets under management as well as the transferor and the beneficiary family members.

6. The *choice of* a fiduciary asset management (trust) as a form of transgenerational wealth transfer is determined by an institutional matrix of external objective environmental variables and an internal set of indicators that can be related to the family-firm specificity.
7. Fiduciary asset management is a *realistic* instrument of transgenerational asset transfer in Hungary. It can be linked to family and personal life situations, as well as to wealth and business situations. Particularly in view of the current generational change of the generation that changed the system.

From the variables, critical points, hypotheses and main findings identified in the literature review and my own process model set up in the theoretical framework, I derived the research question and the underlying propositions and hypotheses.

Research results

After incorporating the propositions and hypotheses developed on the basis of the research question of the dissertation into the process model and proving them, I obtained the following *results* and findings.

Consistent with Propositions **1.a** and **1.b** of my conceptual theoretical framework, I find that in the cases studied, family characteristics - the ability and motivation of potential successors and the ability of family members to agree among themselves on the distribution of property (ownership) and the transfer of corporate control (management) positions - *affect* the use and likelihood of trusts as a form of transgenerational wealth transfer. In relation to Proposition **2**, in the cases studied, I found that family/family-type businesses typically had more than one shareholding (company) in their portfolio and that this *had an impact on* the trustee's choice of fiduciary asset management (trust) form as a strategy for transgenerational wealth transfer.

According to my research hypothesis (**H1**) on the composition of assets under management, trusts are a suitable transgenerational form of wealth transfer for incumbents if the dominant part of the assets is a business (company shares). Portfolio items (company shares) managed by trustee (fiduciary asset managers) in the form of a separate legal entity and portfolio items of wealth management businesses in general showed similarities in the quantitative data analysis. It was *accepted* and proven that in cases where the family/family-type business consists of several corporate shareholding (corporate investment) assets, trust wealth management can be a realistic and effective alternative form of transgenerational wealth transfer to generational wealth transfer.

In relation to the process model placed in my theoretical framework, the corporate characteristic Proposition **3** related to the stages of the fiduciary asset management (trust) structure development, I found in the cases studied that the form of business operated in the holding structure has no correlation, in general no effect on the trust administration process. It does not shorten the timeframe or simplify the content of the trust establishment process. The proposition could not be generalised on the basis of the cases examined, but the addition could be made that the trust administration of a large group of companies with multiple businesses may be simplified by the corporate structure already organised in a holding structure.

In relation to the corporate characteristic Proposition **4** of fiduciary asset management, the cases studied demonstrated that the progress of corporate professionalisation due to a long operational history and its presence in several corporate dimensions (governance, organisation, reporting systems, etc.) facilitated the successful completion of the fiduciary asset management of the company/group of companies. The appointed trustee has continued to manage the companies (assets) without any obstacles while maintaining business continuity.

In relation to Proposition **5** of the corporate/asset (wealth) characteristic of the process, I found in the cases studied that the importance of the general and non-tradeable asset class in the business of family/family-type businesses tends to influence the financial and time resource requirements of placing the business into trust (fiduciary asset management). The importance of the general and non-tradeable intangible asset group (Gedajlovic & Carney, 2010), the social capital (network of relationships) within the firm, the external network of relationships (owner-manager), reputation and tacit knowledge differed across cases and therefore the resource requirements of the transfer differed. The picture is more nuanced where the trustee appoints himself as trustee, as this does not require this type of financial and time resource in the short term. The proposition can be generalised with the *sui generis* addition that the group of general and non-tradeable intangible assets has a significant role to play in transfers where the trust is specifically intended to ensure sustainability, the continuation of the business, rather than tax optimisation or the creation of a succession regime other than a statutory succession.

In relation to Proposition **6** of the family characteristic associated with the family constitution stage of the trust structure process model establishment phase, I could neither confirm nor reject the effect of the family agreement (constitution) on reducing the financial and time resource requirements of trust structure development from the cases examined. This may be due to the fact that in only one case was a family constitution explicitly drafted prior to the transfer of the transgenerational assets. In the majority of cases, the transgenerational purpose of trusts was not the focus of the settlor until after the trust was established. The claim needs further research, with the addition from the cases studied that in situations where the primary purpose of trusts is transgenerational transfer of assets, the need for a family constitution (normative regime) arises at least after the start of operations.

In line with the Proposition **7.a.** of my conceptual theoretical framework, I find that the use of the transgenerational wealth transfer trust form of succession affects the ownership community of family members, enhancing the professionalization of the family property (ownership) subsystem. With regard to Proposition **7.b** and **7.c**, which express family effects, it was clearly identified from the cases studied that trusts did not weaken the beneficiaries' family corporate identity or the use of family resources in the company or for the benefit of the company. The propositions can be generalised with the *sui generis* (specific) interpretation that in cases where the primary purpose of the use of trusts is other than a transgenerational wealth transfer (tax optimisation, splitting of the group) and the succession, transgenerational wealth transfer function arises only later or secondarily, family effects are absent or only partial and *ex post*.

In the cases examined in relation to Proposition **8.a**, which expresses corporate/economic impact, I found that the use of fiduciary asset management reinforces the professionalisation of the firm. However, the degree and weight of professionalisation varies depending on the purpose of the transfer or other purpose (tax, etc.) and is influenced by the identity of the settlor and trustee. The transgenerational wealth transfer form of trust is primarily related to the succession and sustainability of the family business. For this reason, corporate professionalisation is necessarily reinforced by the emergence of portfolio management of

corporate assets. In none of the cases examined did the size and operation of any of the enterprises in the portfolio of assets under management necessitate professionalisation, and I have therefore rejected Proposition **8.b**.

Consistent with Proposition **9** of the wealth characteristic of my conceptual theoretical framework, I found in the cases examined that fiduciary asset management had a value preserving and value enhancing effect on the assets under management. The current capital value of the assets under management was in all cases significantly higher than the initial capital value of the assets under management. The value preserving and value enhancing effect could be confirmed.

According to my research hypothesis (**H2**) on the composition of the portfolio of assets under management, the portfolio of assets under management is dominated by company shares. The asset portfolio and value indicators of the assets managed by the trustees of the trusts in the form of a separate legal entity and the asset portfolio and value indicators of the trust group generally engaged in asset management showed similarities in the quantitative data analysis. It is therefore reasonable to conclude that the portfolio of assets under management is dominated by corporate holdings (ownership).

Conclusion

My research confirms that fiduciary asset management (trusts) are an effective way of carrying out transgenerational asset (wealth) transfers. With the socio-economic development, the function of asset preservation is being pushed into the background and a risk and portfolio approach to asset management is coming to the fore, with the primary objective of ensuring the long-term (but minimum period of time defined by the settlor) sustainability of the asset. Sustainability, which primarily means the management of corporate (business entities) ownerships (holdings), is based on active asset management rather than passive asset preservation. The use of trusts (fiduciary asset management) as a form of transgenerational wealth transfer is essentially a shift towards the closed-end investment fund nature, where the owner is divested of the assets (direct management of the assets) and only a named beneficiary is later entitled to 'reclaim' the property. Nevertheless, the family character can be retained through succession of management positions, but it must increasingly become the classic agent position rather than personal attitudes, relationships, nepotism and altruism. I intend to develop my future research in this direction.

Annexes

1. s. Annex - Information Letter and Declaration of Consent

Dear Madam! Dear Sir!

I am Dr. Tibor Zoltán Hajdu, lecturer and PhD student, researcher at Corvinus University of Budapest. My research focuses on **generational change in family businesses and the related generational wealth transfer, with a special emphasis on the role of fiduciary asset management**.

I will review the succession situations, the realistic and feasible succession alternatives available, with particular reference to trusts and family offices as applicable options. Analyse the functioning, specificities and characteristics of the pre-succession preparatory phase and of the post-transfer structures. The internal operational and external environmental factors and circumstances affecting the company, the family/owner/stakeholders and the fiduciary.

In order to get a comprehensive picture of the situation in Hungary, for my analysis and research I would like to examine and analyse the most important tasks, problems and challenges related to succession and wealth transfer in one / several Hungarian private limited companies.

In this context, I would like to ask for your cooperation for a 60-90 minute interview.

In this interview, I would like to touch on the following issues related to the topic *"Succession of family businesses, the role of trusts in generational and transgenerational wealth transfer"*:

- Past, history
- Future vision
- Family, property, operations
- Management, ownership
- Value

In line with strict research ethics, the interview is for research purposes only and all information recorded will be kept confidential. Thank you in advance for your kind cooperation!

Budapest, Month 2022

Sincerely:

Dr. Tibor Zoltán Hajdu

Declaration of consent

Topic: "Succession of family businesses, the role of trusts in generational and transgenerational wealth transfer"

Name:

Date:

The discussion/interview with Dr. Tibor Zoltán Hajdu, PhD student and Master's Lecturer at the Corvinus University of Budapest, on the above mentioned topic and at the above mentioned time is for research purposes only, and all information recorded will be treated and processed confidentially.

I agree to be audio recorded during the interview * Yes / No

I agree that the name of my company/enterprise may appear
in the study/dissertation by name * Yes / No
(answer required for owner only)

I consent to the use and processing of the information
provided during the interview * Yes / No

* *The correct answer should be underlined / circled*

I confirm my voluntary participation in the research by signing this declaration and by signing this declaration I agree that the information obtained during the interview may be used for research/doctoral dissertation and publication purposes.

Budapest, Month 2022

Name (in block letters)

Signature

2. s. Annex - Coding Guide

Kódszám	Főkód	Alkód	Példa / Leírás
1.	Kezelt vagyon		
1. 1.		Vagyonérték	Kezelt vagyon vagyonelem értékeinek összessége
1. 1. 1.			Érték meghatározása
1. 1. 2.		Fenntarthatóság	
1. 2.			Hosszútávon fennmaradás
1. 2. 1.			A vagyon közép- és hosszútávú növekedése
1. 2. 2.			
1. 3.		Vagyon növekedés	Jövedelemtermelő képesség megtartása
1. 3. 1.			Jövedelemtermelő képesség növelése
1. 3. 2.			Kezelt vagyon szerkezeték változása
1. 4.		Vagyon változás	Vagyonösszetevők változása
1. 4. 1.			Portfóliókezelés
1. 4. 2.			Vállalkozói szemléletű portfólió kezelés
1. 4. 3.			Archaikus típusú portfólió kezelés
1. 4. 4.			
1. 5.		Értéknövekedés	A vagyonelemek összesített egyedi értéknövekedése
1. 5. 1.			Vagyonelemek konszolidált értéknövekedése
1. 5. 2.		Jövedelem	
1. 6.			Vagyonelem osztalékbevétele
1. 6. 1.			Tőkebevétel, vagyonelem eladása
1. 6. 2.			
1. 7.		Juttatás kifizetés	Kedvezményezetti juttatások kifizetése
1. 7. 1.			Többletjuttatások kifizetése
1. 7. 2.			
2.	Alapító / inkumbens		
2. 1.		Jövőkép	Családi jövőkép és kohézió fenntartása
2. 2.		Családi preferencia	Vállalat megtartása
2. 3.		Céggpreferencia	
2. 4.		Vagyonátadási dilemma	Van megfelelő képességű utód
2. 4. 1.			Megfelelő képzettségű utód
2. 4. 2.			
2. 5.		Átadási szándék	
2. 6.		Felhalmozott tudás	"Kodifikált" tudás
2. 6. 1.			Tacit knowledge
2. 6. 2.			
2. 7.		Személyfüggő tudás	Kapcsolati tőke a vállalati érintettekkel
2. 7. 1.			Kapcsolat a külső környezeti szereplőkkel
2. 7. 2.			
3.	Kedvezményezettek		
3. 1.		gyermek	1. generáció vér szerinti
3. 2.		leszármazók	2. és további generáció egyenes leszármazó
3. 3.		örökösök	végrendeletben vagy szerződésben meghatározott személyek
3. 4.		házastárs	
3. 5.		örökbefogadás	
3. 6.		alapító-menedzser	
3. 7.		testvérközösség	második generációs tulajdonosi közösség
3. 8.		unokatestvéri konzorcium	harmadik vagy további generációs tulajdonosi közösség
4.	Örökös		
4. 1.		Cselekvőképesség	Korlátozottan cselekvőképesség
4. 1. 1.			Cselekvőképtelenség
4. 1. 2.			
4. 2.		Motiváció	Motiváció a vállalkozás folytatására
4. 2. 1.			Motiváció a családban maradásra
4. 2. 2.			
4. 3.		Képesség	Személyes képesség az átvételre
4. 3. 1.			Együttműködési képesség a családtagokkal
4. 3. 2.			
4. 4.		Képzettség	Szándék a vállalkozás folytatására
4. 5.		Akarat	
4. 6.		Jövőkép	Személyes énkép
4. 6. 1.			A vállalkozás jövőjéről alkotott kép
4. 6. 2.			
5.	Családi irányítási struktúra		
5. 1.		Családi Tanács	
5. 2.		Kedvezményezetti Gyűlés	
5. 3.		Családi Bank	
5. 4.		Pénzalapok	Többlet / egyedi juttatás kifizetése egyedi döntés alapján
5. 5.		Döntési mechanizmus	
5. 5. 1.			Kuratóriumba delegálás
5. 5. 2.			Családi irányítási struktúra döntési fórumai
5. 6.		Ellenőrzés	
5. 6. 1.			Vagyon működésének ellenőrzése
5. 6. 2.			Vagyon működtetésének (vagyonkezelő) ellenőrzése
6.	Tulajdon		
6. 1.		Tulajdonosi konzorcium	
6. 2.		Monolit közösség	Monolit tulajdonosi közösség
6. 3.		Heterogenitás	Heterogén családi tulajdonosi közösség
6. 4.		Érdekütközés	
6. 4. 1.			Tulajdonosi érdeklátsból következő érdekütközés (kontrolljog)
6. 4. 2.			Családtagok / örökösök eltérő motivációja
6. 4. 3.			Családtagok / örökösök eltérő személyisége miatt
6. 5.		Együttműködés	
6. 5. 1.			Passzív tulajdonosi közösség
6. 5. 2.			Aktív közreműködés (vállalkozói család)
7.	Professzionalizáció		
7. 1.		Szevzeti felépítés	
7. 2.		Döntési struktúra	
7. 3.		Döntési szintek	
7. 4.		Szevzeti működés	
7. 4. 1.			Kiépített döntési mechanizmusok (szmsz)
7. 4. 2.			Reporting és kontrollig
7. 5.		Külső menedzser bevonása	
8.	Utódlás		
8. 1.		Utódlási forma	Külső utódlás
8. 1. 1.			Belső utódlás
8. 1. 2.			Vegyes utódlás
8. 2.		Szerepvállalás	
8. 2. 1.			Családtag közvetlen részvétele
8. 2. 2.			Családtag passzív részvétele
9.	Vagyonkezelő		
9. 1.		Aktív vagyonkezelés	
9. 2.		Passzív kezelés	
9. 3.		Portfóliókezelés	
9. 3. 1.			Portfólió sszetétel
9. 3. 2.			Kockázatkezelés
9. 3. 3.			Vagyonváltozás
9. 3. 4.			Vagyonkezelési elvek
9. 4.		Vagyonnyilvántartás	
9. 5.		Strukturális felépítés	
9. 5. 1.			Holdingstruktúrában működtetett vagyonkezelő
9. 5. 2.			Közvetlen irányítással működő vagyonkezelő
10.	Kedvezményezetti juttatás		
10. 1.		Rendszeres juttatás	
10. 2.		Többletjuttatás	
10. 3.		Eseti juttatás	
10. 4.		Juttatási forma	
10. 4. 1.			Pénzbeni
10. 4. 2.			Természetbeni

3. s. Annex - Interview questions

Interview questions (detailed)

To the Trustee Incumbent (I) / Beneficiaries, heirs (C) / Agents (trustee, company manager)
(C)

Introduction and introductions / General questions about the interviewer

Family member:

Capacity to act (age) / Living together or living independently?

Not family:

How long have you been working / associated with the company? What is your function, role?

I. Preparation phase

What were the reasons for choosing trusts?

What influenced the choice of a transgenerational wealth transfer trust?

Propositions related to the research question: (BVK was selected because)

Proposition 1.a. (family characteristic): No (no) potential offspring with the right skills or motivation.

Proposition 1.b. (family characteristic): family members cannot (have not been able to) agree on the transfer of property and the distribution of management positions in the company.

Proposition 2 (company/firm characteristic): the portfolio of the family business includes more than one company.

A. Family related issues

1. What is the structure of the family (husband-wife, number of marriages, number of children from marriages, family legal status (own child, adopted), etc.)
2. What is the "ownership" philosophy of the trust ("family first" vs "business first")? What is his/her family identification (identification) with the company?
3. What is your position in your personal life (age, capacity, minor, studies, education, experience, etc.)
4. How do you value family relationships? How do you relate to other family members?
5. How do you think the family works? Was/is there any family structure? (constitution, regular meetings, etc.) What form does it take? When was it formed? What role does it (did it) play?
6. What are the founder's succession intentions (strong vs. weak)?

7. How does the family relate to the business? How many generations are involved in the business? What is your role in the business? How are you and other family members involved? How are the roles in the business shared between family members?
8. Do you consider yourself suitable for a function or management position in the family business? How do you rate yourself? (in terms of skills and qualifications).
9. To what extent do you consider other family members suitable to be involved in the family business? (skills and qualifications)
10. What are your personal and career goals for the future (professional goals, career goals) What is your vision for the future in your relationship with your family and company? What is your vision for the company?
11. Do you consider yourself able/able to work with other family members to manage and own the business? Why and how?
12. How did you contribute to the preparation of the trust? To what extent and how were family members (wife, descendants, etc.) involved in the preparation?

B. Asset / company issues

1. Characteristics of the company (enterprise): Activity. Market segment. Size (turnover). Market share. Competitors. Please describe the basic profile, activities, key players and brief history of the family business. What is the product/service portfolio of the company(ies)? Is it diversified (high - low)? What is the company's performance (financial and non-financial)?
2. What is corporate mission and corporate strategy? What is the business philosophy (family business and entrepreneurial philosophy vs. entrepreneurial family and investor philosophy)?
3. What is the number of owned (family-owned) firms?
4. Who were the owners before (and now) and what was the size of their holdings? What is the percentage of family ownership? What was (and is) the number of family members who owned the property?
5. What was the company structure of the businesses before the transfer? (holding structure, cross-ownership, etc.) What was the structure and operation of the assets (company/group of companies) before the transfer? What were the internal characteristics and capabilities of the organisation (organisational structure, etc.)?
6. Was there any change in the structure of the company immediately before the trust was established? What changes were made?
7. Leadership/management: did the founder lead (manage) the company before the trust was granted? Who was (is) involved in the management, how and to what extent? Who was the CEO/CEO, FB and IG members prior to the asset transfer? Were there and what formal decision-making mechanisms? What changes occurred with the asset management transfer?
8. How have family members been involved in the policy? What (and who) are the number of family members working as managers?
9. Why, in your opinion, was the trust chosen?
10. How long did it take to prepare the trust? What external help was used to prepare the trust and for what purpose?

II. Design process

What steps have been taken to establish a trust?

What factors influenced the process and the time required?

Propositions related to the research question: (Influences the process and time needed)

Proposition 3 (corporate/property characteristic) A holding company structure facilitates the transfer of assets.

Proposition 4 (corporate/intrapreneurial) The degree of corporate professionalisation facilitates the successful completion of the design phase.

Proposition 5 (company/enterprise characteristic) The role of the general and non-marketable intangible asset group in the business of the enterprise influences the financial and time resource requirements of the transfer.

Proposition 6 (family characteristic) The existence and elaboration of a family agreement (constitution) reduces the financial and time resources required for its development.

A. *Family related issues*

1. When and how were you informed about the new family structure (family council, family constitution, beneficiary assembly, etc.), if any?
2. What do you think is the purpose of setting up a family structure (family council, family constitution, etc.)? Why was it necessary?
3. What was the timeframe for the establishment of the new family structures compared to the time of the transfer of the assets (conclusion of the trust contract)? How much before or after? What kind of prior history, preliminary steps?
4. How did the family function before the trust was granted (trust deed)? How do you think the existence of the family structure influenced the process of setting up the BVK (did it make it faster, was it unnecessary, etc.)?
5. How were you involved in the creation of the new family structure? Who was involved and how in the creation of the trust? Were external actors (advisors) involved in its development?

B. *Asset / company issues*

1. What was the organisational structure of the company when the asset management was set up? What were the governance characteristics of the company? Who was managing the company before it was placed in administration and how? Who took the decisions?
2. How was the company organised before the asset management? What had to change in the decision-making processes with the asset management? When did these changes take place?
3. What factors do you think determine the success of your business? What role does the personal involvement and business relationship of the founder play?
4. To what extent (percentage estimate) do personal relationships influence the success of the company (group of companies) before and after the transfer of assets?
5. What is the role of the accumulated knowledge linked to the person (founder) in the successful business and activities of the company?

6. How, by what means (steps) was/are the transfer of the founder's personal knowledge (knowledge, contacts, etc.) solved? How important was (was) personal (founder) knowledge in the business before the transfer and how important is it now?

III. Operational

How, how effectively, does the swap trust work?

What is the impact of trusts on assets?

Propositions related to the research question: (The impact of the use of trusts on the family business, how)

Proposition 7.a. (family effect) The introduction of trusts reinforces the professionalisation of the family property subsystem.

Proposition 7.b (family effect) The introduction of trusts weakens the family corporate identity of the family beneficiaries.

Proposition 7.c (family effect) The introduction of fiduciary asset management weakens the ability to use family resources in the company for the benefit of the company.

Proposition 8.a. (corporate/internal impact) The introduction of fiduciary asset management strengthens the further professionalisation of the business.

Proposition 8.b. (corporate/internal impact) The size and operation of at least one firm in the family business portfolio requires professionalisation.

Proposition 9 (corporate/intrinsic characteristic) The introduction of fiduciary asset management has a value-preserving and value-enhancing effect on the assets under management.

A. *Family related issues*

1. How does the family, the family structure, work now, since the introduction of asset management? Who organises (runs) the family (family council meetings, beneficiary meetings, etc.), how and in what structure? How do you consider its functioning now? How are decisions taken?
2. How and to what extent do you think the relationship between family members has changed? How do you rate the relationship between family members? What has changed since the administration of the trust?
3. Commitment, sustainability. Are you now committed to the business (weakened or strengthened)? Has your self-image and relationship with the business changed since the company was placed in administration? Do you consider this operation sustainable?
4. What impact has the introduction of asset management had on ownership and corporate commitment? Do you think the family nature of the business has been preserved? Has the family business identity been weakened or strengthened? How and how is this manifested?
5. What is the family's relationship with the trustee(s)? How does it work? What is your relationship with the trustee? How do you rate the trustee's performance? What information do you receive about the trust and the assets (the family business) and at what frequency?

6. What is your relationship with the company (assets)? How has the relationship changed since the asset was placed in trust? Do you feel that your relationship with the company and your ability to participate in the company's operations is stronger or weaker?
7. Is the degree of family involvement in the company (asset management) stronger or weaker since the transfer of the assets to asset management? Why, what are the characteristics?

B. Asset / company issues

1. What impact do you think the introduction of asset management has had on the operation and efficiency of the companies (group of companies)? What changes, if any, have been made to the internal functioning of the company(ies) that have been placed under asset management? Organisational structure. Operational efficiency. Changes in boards. Responsibilities. Changes in decision-making processes.
2. Are all the companies in the group affected equally by the changes? Were there changes in all companies? Why were there differences?
3. Management. Who, how and in what organisational form controls the trustee/trusteeship? Who and in what (organisational) form controls the company/group of companies? (assets under management). Is a family member involved in the management?
4. Asset management. How do you assess the relationship between the company (group) and the trustee (and the family)? What are its main characteristics? How do you assess the trustee's performance? What reports/reports do beneficiaries receive from the trustee?
5. How and how often is feedback on the performance and sustainability of the assets under management measured? Do you consider asset management to be successful?
6. Asset value. What impact do you think asset management has on the sustainability of the asset (business)? What impact has asset management had on the value of the assets (business) since its introduction? How have the financial performance and figures of the assets (business) under management evolved since the asset management was introduced?

Concluding and summarising questions

Please comment (in order of strength) on the following statements

Before / After the placing of the assets in trust:				
The sense of belonging to the family business is strong among family members.				
1. not at all typical	2. rather uncharacteristic	3. is-is	4. rather typical	5. fully typical
The family business has a strong personal meaning for the family member.				
1. not at all typical	2. rather uncharacteristic	3. is-is	4. rather typical	5. fully typical
The emotional ties between family members are very strong.				
1. not at all typical	2. rather uncharacteristic	3. is-is	4. rather typical	5. fully typical
Continuing the family heritage and tradition is an important goal for the family and the family business.				
1. not at all typical	2. rather uncharacteristic	3. is-is	4. rather typical	5. fully typical
It is important for family members to ensure that the business is passed on successfully to the next generation.				
1. not at all typical	2. rather uncharacteristic	3. is-is	4. rather typical	5. fully typical

4. s. Annex - Assets under management, NAV database

#	Adószám	Név (névnyelvi)	#	Adószám	Név (névnyelvi)	#	Adószám	Név (névnyelvi)
1.	3055046-1-1	T. Trust bírálati Vagyonkezelő Által Kezelt Vagyon	165.	3072178-1-02	Wibber Kálmán Bíralmi Vagyonkezelő Által Kezelt Vagyon	329.	3048024-1-3	Kohári Árpád Ferenc bírálati Vagyonkezelő Által Kezelt Vagyon
2.	3050450-1-1	Trivestor Kortárs Iskolai Felsőoktatási Társaság bírálati Vagyonkezelő Által Kezelt Vagyon	166.	3072178-1-02	Wibber Kálmán Bíralmi Vagyonkezelő Által Kezelt Vagyon	330.	3048514-1-03	NO Bíralmi Vagyonkezelő Által Kezelt Vagyon
3.	30494570-1-0	KENNERES CSAADJ, CONFIDOMO BÍRALMI VAGYONKEZELŐ ZRT. ÁLTAL KEZELT VAGYON	167.	30730315-1-1	TBL Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	331.	30526057-1-3	Bátyi Dániel bírálati Vagyonkezelő Által Kezelt Vagyon
4.	3056239-1-05	Orosz Nóra bírálati Vagyonkezelő Által Kezelt Vagyon	168.	30728211-1-1	Dr. Hoffmann Rita Tamara Bíralmi Vagyonkezelő Által Kezelt Vagyon	332.	30501094-1-1	KOBAY Vagyonkezelő Kft (2724523-2-1) Bírálati Vagyonkezelő Által Kezelt Vagyon
5.	3055384-1-1	Altairus Holding Bíralmi Vagyonkezelő Által Kezelt Vagyon	169.	30727290-1-1	Fridrich Barbara Bíralmi Vagyonkezelő Által Kezelt Vagyon	333.	30501094-1-1	Kendzi Trust Bírálati Vagyonkezelő Által Kezelt Vagyon
6.	3055385-1-1	Saghatius Invest Bíralmi Vagyonkezelő Által Kezelt Vagyon	170.	30726691-1-1	EF5 Vagyonkezelő Bíralmi Vagyonkezelő Által Kezelt Vagyon	334.	30504019-1-42	Telény Trust PARTNERS Bíralmi Vagyonkezelő Által Kezelt Vagyon
7.	30571002-1-1	Capital Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	171.	30724200-1-1	Control Capital Bírálati Vagyonkezelő Által Kezelt Vagyon	335.	30508989-1-3	Bátyi György bírálati Vagyonkezelő Által Kezelt Vagyon
8.	30571020-1-1	Capital Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	172.	30720200-1-1	Vagyonkezelő Által Kezelt Vagyon	336.	30512102-1-1	Primus Capital Trust Bírálati Vagyonkezelő Által Kezelt Vagyon
9.	30579770-1-1	J/2022 Kezelt Vagyon	173.	30723704-1-1	GS5 TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	337.	30548992-1-42	NMOCT Trust Bírálati Vagyonkezelő Által Kezelt Vagyon
10.	30581568-1-1	Ragosity Adrienne Damna bírálati Vagyonkezelő Által Kezelt Vagyon	174.	30725579-1-42	Szabados Tamás bírálati Vagyonkezelő Által Kezelt Vagyon	338.	30507469-1-3	Knyhár Krisztián bírálati Vagyonkezelő Által Kezelt Vagyon
11.	30602821-1-1	PLANE Kezelt Vagyon	175.	30720200-1-1	Simon Mercutio Bírálati Vagyonkezelő Által Kezelt Vagyon	339.	30503037-1-1	ARCHBOLD TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon
12.	30572443-1-1	ALBERT TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	176.	30722881-1-3	Vardine Ferenc bírálati Vagyonkezelő Által Kezelt Vagyon	340.	30505515-1-1	MPM Capital bírálati Vagyonkezelő Által Kezelt Vagyon
13.	30579684-1-1	SILVA TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	177.	30723734-1-3	Megyeri Károl Vagyonkezelő Által Kezelt Vagyon	341.	30513646-1-42	Bucovich Zoltán Bírálati Vagyonkezelő Által Kezelt Vagyon
14.	30581434-1-08	Micrus Vagyonkezelő Által Kezelt Vagyon	178.	30720200-1-1	Simon Mercutio Bírálati Vagyonkezelő Által Kezelt Vagyon	342.	30507360-1-7	BV-5 BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON
15.	3058751-1-1	Felföldi Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	179.	30496118-1-1	SENECHIN TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	343.	30498237-1-7	Donovics Zoltán bírálati Vagyonkezelő Által Kezelt Vagyon
16.	30588392-1-03	Bolcsér Évi Tamás bírálati Vagyonkezelő Által Kezelt Vagyon	180.	30506688-1-1	Halmi Mónika Bírálati Vagyonkezelő Által Kezelt Vagyon	344.	30500974-1-1	RAVEY TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon
17.	30584401-1-1	Barkat & BARKAT Zoltán bírálati Vagyonkezelő Által Kezelt Vagyon	181.	30720021-1-1	DR. KATOLY JÓZSEF Károly bírálati Vagyonkezelő Által Kezelt Vagyon	345.	30506468-1-3	Kabina Family Vagyonkezelő és Kabina Birtok Által Kezelt Vagyon
18.	30484800-1-1	ABRO TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	182.	30737561-1-1	KK-industry Vagyonkezelő és Kortárs Felsőoktatási Társaság Által Kezelt Vagyon	346.	30500981-1-1	Orai Zoltán Parkas Bírálati Vagyonkezelő Által Kezelt Vagyon
19.	30581269-1-07	SZATMARI IMRE BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	183.	30739301-1-1	Friendship Helge Bírálati Vagyonkezelő Által Kezelt Vagyon	347.	30548985-1-42	OKIAOS Bíralmi Vagyonkezelő és Bíralmi Vagyonkezelő Által Kezelt Vagyon
20.	30512181-1-1	DIC MOUNDS TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	184.	30733868-1-1	ENDY KFT Által Kezelt Vagyon	348.	30501094-1-1	Kendzi Trust Bírálati Vagyonkezelő Által Kezelt Vagyon
21.	30587230-1-1	Sauer Gábor bírálati Vagyonkezelő Által Kezelt Vagyon	185.	30731411-1-1	Katand Árpád KFT Bírálati Vagyonkezelő Által Kezelt Vagyon	349.	30508192-1-07	BANFÁR ÉVA BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON
22.	30587678-1-1	M&M Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	186.	30734546-1-1	Klissis Holding Zártkörűen Működő Részvénytársaság Által Kezelt Vagyon	350.	30510179-1-09	Torny László Gyula bírálati Vagyonkezelő Által Kezelt Vagyon
23.	30594682-1-1	ARTISTES Bíralmi Vagyonkezelő Által Kezelt Vagyon	187.	30732791-1-1	ZOR Trust bírálati Vagyonkezelő Által Kezelt Vagyon	351.	30549179-1-1	SVT TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon
24.	30601721-1-1	Signal Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	188.	30742402-1-1	Mizsoni István László nem üzleti célú bírálati Vagyonkezelő Által Kezelt Vagyon	352.	30721188-1-08	Páár Veronika bírálati Vagyonkezelő Által Kezelt Vagyon
25.	30564297-1-1	Geywpline Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	189.	30739306-1-09	Dénes Csabát Által Kezelt Vagyon	353.	30504624-1-07	ILLES EÖTVEZ BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON
26.	30511111-1-1	LEMI TRUST BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	190.	30741111-1-1	TIR TRUST BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	354.	30502691-1-02	BÁRÁNY ERŐS EÖTVEZ BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON
27.	30596830-1-1	Papal Ammándia bírálati Vagyonkezelő Által Kezelt Vagyon	191.	30742304-1-1	GU TRUST BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	355.	30521595-1-43	KÖHÜ Ügyvédi Iroda bírálati Vagyonkezelő Által Kezelt Vagyon
28.	30601628-1-1	Adam Lajos bírálati Vagyonkezelő Által Kezelt Vagyon	192.	30742407-1-1	Theobald Ist bírálati Vagyonkezelő Által Kezelt Vagyon	356.	30521148-1-42	Bucshayné Székely Mónika és Bucshay Csaba bírálati Vagyonkezelő Által Kezelt Vagyon
29.	30602942-1-1	IN PROPERTIES KFT. Bírálati Vagyonkezelő Által Kezelt Vagyon	193.	30741489-1-1	DR. TÖRÖCSKÉI JÓZSEF EÖTVEZ BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	357.	30521205-1-42	DR. TÖRÖCSKÉI JÓZSEF EÖTVEZ BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON
30.	30605622-1-43	N. Salek Kér Kft. Bírálati Vagyonkezelő Által Kezelt Vagyon	194.	30740688-1-1	Herdinad Balazs Árpád bírálati Vagyonkezelő Által Kezelt Vagyon	358.	30521265-1-1	ORION TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon
31.	30604090-1-1	Berkó Péter bírálati Vagyonkezelő Által Kezelt Vagyon	195.	30740499-1-1	Kolpus Trust bírálati Vagyonkezelő Által Kezelt Vagyon	359.	30521302-1-41	Derby Trust bírálati Vagyonkezelő Által Kezelt Vagyon
32.	30640700-1-1	Orai Zoltán bírálati Vagyonkezelő Által Kezelt Vagyon	196.	30741411-1-1	Mátyás Károly bírálati Vagyonkezelő Által Kezelt Vagyon	360.	30521815-1-1	SINUS TRUST bírálati Vagyonkezelő Által Kezelt Vagyon
33.	30672220-1-1	Sabert Silvester és családja javára kezelt vagyon	197.	30731712-1-1	Sipos Kezelt Vagyon	361.	30524024-1-1	Haban Projekt Trust bírálati Vagyonkezelő Által Kezelt Vagyon
34.	30605677-1-1	Tornyó Zsolt Bírálati Vagyonkezelő Által Kezelt Vagyon	198.	30751699-1-1	HUFNEFŐKÖZÖSSÉG Bírálati Vagyonkezelő Által Kezelt Vagyon	362.	30522163-1-1	KB Bíralmi Vagyonkezelő Által Kezelt Vagyon
35.	30606352-1-1	UKRA Vagyonkezelő Kortárs Felsőoktatási Társaság Által Kezelt Vagyon	199.	30752786-1-1	BOHUS TRUST BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	363.	30523601-1-02	DR. ANDRÁS ANDRÁS BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON
36.	30602630-1-1	WUT TRUST BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	200.	30749599-1-1	Aria Consulting Kft Bírálati Vagyonkezelő Által Kezelt Vagyon	364.	30523676-1-1	Monori Viktória és Kozák Ferenc bírálati Vagyonkezelő Által Kezelt Vagyon
37.	30607624-1-1	DATYVITAI TAMÁSODÓ KFT. BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	201.	30751156-1-1	J/2023 Kezelt Vagyon	365.	30523944-1-1	Gódo Barbara Bírálati Vagyonkezelő Által Kezelt Vagyon
38.	30607624-1-1	VOLTI Bíralmi Vagyonkezelő Által Kezelt Vagyon	202.	30750921-1-1	Tóth és Társaság Bírálati Vagyonkezelő Által Kezelt Vagyon	366.	30523512-1-1	Vida Árpád bírálati Vagyonkezelő Által Kezelt Vagyon
39.	30607002-1-1	Simon Viktória Vagyonkezelő Által Kezelt Vagyon	203.	30753988-1-1	Terdik János bírálati Vagyonkezelő Által Kezelt Vagyon	367.	30524086-1-1	Gál György bírálati Vagyonkezelő Által Kezelt Vagyon
40.	30604548-1-1	RKV Vagyonkezelő Által Kezelt Vagyon	204.	30753983-1-1	Mediopline-Financ Kft bírálati Vagyonkezelő Által Kezelt Vagyon	368.	30524055-1-03	Szabó Évi bírálati Vagyonkezelő Által Kezelt Vagyon
41.	30607105-1-1	Ere Képző Vagyon	205.	30755868-1-1	Hutner Péter bírálati Vagyonkezelő Által Kezelt Vagyon	369.	30548971-1-1	Dr. Heg Gábor bírálati Vagyonkezelő Által Kezelt Vagyon
42.	30607021-1-1	Real Estate Property Management Kft. Kezelt Vagyon	206.	30755071-1-1	Acley Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	370.	30524684-1-1	Real Estate Vagyonkezelő Által Kezelt Vagyon
43.	30608027-1-1	Iovetus bírálati Vagyonkezelő Által Kezelt Vagyon	207.	30757891-1-04	Ország Lakásbirtok bírálati Vagyonkezelő Által Kezelt Vagyon	371.	30525771-1-42	Kovács Csabát Által Kezelt Vagyon
44.	30607851-1-09	Szilágyi Csabát Kezelt Vagyon	208.	30756151-1-1	DR. KATOLY JÓZSEF Károly bírálati Vagyonkezelő Által Kezelt Vagyon	372.	30526107-1-1	Somosi Family Trust bírálati Vagyonkezelő Által Kezelt Vagyon
45.	30607851-1-09	Szilágyi Csabát Kezelt Vagyon	209.	30754891-1-1	Harvintest Kft. Által Kezelt Vagyon	373.	30527010-1-1	Török Bernadett Bírálati Vagyonkezelő Által Kezelt Vagyon
46.	30608625-1-1	LELU TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	210.	30763425-1-1	Remenecz Zoltán Vagyonkezelő Által Kezelt Vagyon	374.	30526813-1-07	Ramfy Fia bírálati Vagyonkezelő Által Kezelt Vagyon
47.	30608920-1-1	Fritsch Stefan Rudolf Walter és Kozma Réka bírálati Vagyonkezelő Által Kezelt Vagyon	211.	30763377-1-1	HÁHNES TRUST BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	375.	30527027-1-1	Nemethi Sándor Bírálati Vagyonkezelő Által Kezelt Vagyon
48.	30675316-1-03	Hátsó Gábor bírálati Vagyonkezelő Által Kezelt Vagyon	212.	30760587-1-1	HESEKOR Kortárs Felsőoktatási Társaság Által Kezelt Vagyon	376.	30529212-1-02	CSESZ Bíralmi Vagyonkezelő Által Kezelt Vagyon
49.	30608405-1-1	MUNDSVALL Bírálati Vagyonkezelő Által Kezelt Vagyon	213.	30763432-1-1	LEONIS Bíralmi Vagyonkezelő Által Kezelt Vagyon	377.	30528997-1-42	VINC TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon
50.	30608471-1-1	EQUATOR TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	214.	30764770-1-1	TABOLA KEZELT VAGYON BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	378.	30527110-1-42	Berecsi Rita bírálati Vagyonkezelő Által Kezelt Vagyon
51.	30609042-1-1	Bíralmi Vagyonkezelő Által Kezelt Vagyon	215.	30760481-1-1	Unghy Vagyonkezelő Által Kezelt Vagyon	379.	30527612-1-1	TULIPAN TRUST BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON
52.	30608759-1-1	Major Rita bírálati Vagyonkezelő Által Kezelt Vagyon	216.	30764127-1-1	Dr. Járó Mária és BÉTES Kft bírálati Vagyonkezelő Által Kezelt Vagyon	380.	30528255-1-42	Helló Becse bírálati Vagyonkezelő Által Kezelt Vagyon
53.	30612489-1-1	Via Lakás Bíralmi Vagyonkezelő Által Kezelt Vagyon	217.	30764134-1-1	Turkó Mária Csaba bírálati Vagyonkezelő Által Kezelt Vagyon	381.	30528961-1-1	ORBERT MELINDA BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON
54.	30630215-1-42	Wilhelm Péter bírálati Vagyonkezelő Által Kezelt Vagyon	218.	30764084-1-1	YOSEMITE KEZELT VAGYON BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	382.	30528341-1-42	Eben Property Kft. bírálati Vagyonkezelő Által Kezelt Vagyon
55.	30630954-1-1	Ungar Gabriella bírálati Vagyonkezelő Által Kezelt Vagyon	219.	30772739-1-1	Lova Gábor Által Kezelt Vagyon	383.	30528626-1-1	FLYDUTYBÍTRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON
56.	30609047-1-1	Via Lakás Bíralmi Vagyonkezelő Által Kezelt Vagyon	220.	30774904-1-1	TRUST2022 VAGYONKEZELŐ KFT. ÁLTAL KEZELT VAGYON VÁHOZOTT	384.	30527199-1-1	Csere Bíralmi Vagyonkezelő Által Kezelt Vagyon
57.	30638079-1-04	Tóth-Benedek Sándor bírálati Vagyonkezelő Által Kezelt Vagyon	221.	30771893-1-1	HOP TRUST Által Kezelt Vagyon	385.	30528318-1-1	Azure Trust bírálati Vagyonkezelő Által Kezelt Vagyon
58.	30635148-1-1	Flash Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	222.	30768877-1-1	RED TIGR Vagyonkezelő Kft. Által Kezelt Vagyon	386.	30529799-1-03	Kovács Norbert bírálati Vagyonkezelő Által Kezelt Vagyon
59.	30615861-1-1	KÖSDRUS Kft. bírálati Vagyonkezelő Által Kezelt Vagyon	223.	30769122-1-1	KANOCZY MÁRTA TITKOS ÁLTAL KEZELT VAGYON	387.	30529611-1-08	Peter János bírálati Vagyonkezelő Által Kezelt Vagyon
60.	30632101-1-1	ASZKOR-3/2022 sz. Bírálati Vagyonkezelő Által Kezelt Vagyon	224.	30767010-1-1	Simon György Által Kezelt Vagyon	388.	30529672-1-1	Morduchov Trust Bírálati Vagyonkezelő Által Kezelt Vagyon
61.	30634316-1-1	Kovács Károly bírálati Vagyonkezelő Által Kezelt Vagyon	225.	30767738-1-1	DR. KATOLY JÓZSEF Károly bírálati Vagyonkezelő Által Kezelt Vagyon	389.	30529640-1-1	Kozák Csaba bírálati Vagyonkezelő Által Kezelt Vagyon
62.	30632891-1-1	Csade Trust Bírálati Vagyonkezelő Által Kezelt Vagyon	226.	30769627-1-1	Chan Chu Bírálati Vagyonkezelő Által Kezelt Vagyon	390.	30529892-1-1	Falcon Estate Bírálati Vagyonkezelő Által Kezelt Vagyon
63.	30638134-1-1	TABIR TRUST KFT Bírálati Vagyonkezelő Által Kezelt Vagyon	227.	30770438-1-1	Excalibur Kezelt Vagyon Bírálati Vagyonkezelő Által Kezelt Vagyon	391.	30530799-1-1	Kucserkő Gábor Bírálati Vagyonkezelő Által Kezelt Vagyon
64.	30640021-1-1	Picturum Bírálati Vagyonkezelő Által Kezelt Vagyon	228.	30770438-1-1	Excalibur Kezelt Vagyon Bírálati Vagyonkezelő Által Kezelt Vagyon	392.	30529902-1-1	Falcon Estate Bírálati Vagyonkezelő Által Kezelt Vagyon
65.	30638206-1-1	Gomer Trust Kft. bírálati Vagyonkezelő Által Kezelt Vagyon	229.	30778625-1-1	Szalka Gábor Által Kezelt Vagyon	393.	30530012-1-1	Bárdos Balázs Zoltán bírálati Vagyonkezelő Által Kezelt Vagyon
66.	30640049-1-1	Mono-Invest Vagyonkezelő KFT Bírálati Vagyonkezelő Által Kezelt Vagyon	230.	30772335-1-05	Bodnár József bírálati Vagyonkezelő Által Kezelt Vagyon	394.	30530214-1-03	Hollósi János bírálati Vagyonkezelő Által Kezelt Vagyon
67.	30644878-1-1	DR. HATVANI JÓZSEF Károly bírálati Vagyonkezelő Által Kezelt Vagyon	231.	30772335-1-05	Bodnár József bírálati Vagyonkezelő Által Kezelt Vagyon	395.	30530832-1-1	Szabó Ferenc Bírálati Vagyonkezelő Által Kezelt Vagyon
68.	30631283-1-1	FAN Bíralmi Vagyonkezelő Által Kezelt Vagyon	232.	30778713-1-1	Uszák Krisztián bírálati Vagyonkezelő Által Kezelt Vagyon	396.	30531048-1-20	Ször Károly bírálati Vagyonkezelő Által Kezelt Vagyon
69.	30642610-1-1	REINOLD TRUSTEE VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	233.	30773907-1-1	MAGASZTA TRUST BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	397.	30529944-1-19	BF Trustee Kft. Által Kezelt Vagyon
70.	30642610-1-1	Sony & Bíralmi Vagyonkezelő Által Kezelt Vagyon	234.	30774123-1-1	DRPED TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	398.	30529717-1-13	Musuly Tamás bírálati Vagyonkezelő Által Kezelt Vagyon
71.	30642610-1-1	Nagy Gábor Bírálati Vagyonkezelő Által Kezelt Vagyon	235.	30550591-1-1	Halmos Csabát Által Kezelt Vagyon	399.	30530899-1-1	Mészáros Tibor Bírálati Vagyonkezelő Által Kezelt Vagyon
72.	30643406-1-05	Magnus Bíralmi Vagyonkezelő és Bíralmi Vagyonkezelő Által Kezelt Vagyon	236.	30780891-1-09	KÖSCÁNÉ PALMAY LUDVIG Által Kezelt Vagyon	400.	30531099-1-08	Edőcs László bírálati Vagyonkezelő Által Kezelt Vagyon
73.	30646791-1-1	YUBET TRUST Bírálati Vagyonkezelő Által Kezelt Vagyon	237.	30550591-1-1	DR. KATOLY JÓZSEF Károly bírálati Vagyonkezelő Által Kezelt Vagyon	401.	30531209-1-1	Onokai Zoltán bírálati Vagyonkezelő Által Kezelt Vagyon
74.	30646076-1-1	SEA KFT. BÍRALMI VAGYONKEZELŐ ÁLTAL KEZELT VAGYON	238.	30551030-1-1	Keresztész Zoltán Bírálati Vagyonkezelő Által Kezelt Vagyon	402.	30530975-1-1	Gergely Marietta bírálati Vagyonkezelő Által Kezelt Vagyon
75.	30648421-1-1	Trend Consulting Kft Által Kezelt V						

5. s. Annex - Request for information sent to OPTEN

Re: Kutatási segítség

Hajdu Tibor Zoltán <tiborzoltan.hajdu@uni-corvinus.hu>

2023. 06. 19., H, 12:12

Címzett: Hitzinger Anna <hitzinger.anna@opten.hu>

 3 melléklet (749 KB)

6 Hajdu Tibor Zoltán BCE - KVANTITATÍV - Összefoglaló OPTEN adatbázis célzott lekérdezéséről - 2023 06 14 v6.docx; 6 Hajdu Tibor Zoltán BCE - KVANTITATÍV - Összefoglaló OPTEN adatbázis célzott lekérdezéséről - 2023 06 14 v6.pdf; 6 ADATTÁBLA v2.xlsx;

Kedves Anna,

A múlt heti egyeztetésünk alapján - amit nagyon szépen köszönök Neked - küldöm a legújítani javasolt adatok/ismérvek felsorolását. (Most küldöm, mert még javítottam picit rajta).

Igyekeztem mindegyikhez egy rövid magyarázatot fűzni, hogy könnyen kezelhető legyen. Mellékelek egy minta adattáblázatot (excel) is, mutatva, hogy kb. egy ilyen formátum/ tartalom, ahova az adatokkal szeretnék eljutni.

Köszönöm szépen minden segítségedet!

Attached to this letter:

Selection criteria from OPTEN database

1. Asset management companies

Search the OPTEN database for asset management companies. "**Asset management companies**" where asset management (TEÁOR 64.20) is the main activity. Identify the following information/criteria for asset management companies based on the contact networks:

- a) Determining **the number of asset items**. An "**asset**" is a company (enterprise) in which the trustee has an interest. Participation is defined as direct ownership or indirect (effective) ownership (controlling interest), based on ownership/management identity, as follows:
 - i. the trustee has a direct ownership stake (%) in a company,
 - ii. a senior officer of the trustee (managing director, member of the board of directors, member of the supervisory board) has a shareholding (%) in the company,
 - iii. a senior officer of the trustee a senior officer of the company (managing director, member of the board of directors, member of the supervisory board),
 - iv. the owner(s) of the trust own(s) a stake (%) in the company,
 - v. one or more of the owners of the trust is/are a senior officer(s) of the company (managing director, member of the board of directors, member of the supervisory board).

Note: In the case of 'chain-linked' inter-ownership by several trustees (TEÁOR 64.20), the assets under each trustee are recorded separately (typically occurring in large numbers under

the ultimate trustee), with the links between each trustee (intermediate enterprise) also being indicated.

- b) **Size (%) and nominal value of holding (ownership).** If the asset is a direct ownership interest in the enterprise, the ownership interest in percentage (%) and nominal value (for enterprises defined in (i), (ii) and (iv)). For (iii) and (v), the extent of the ownership interest need not/may not be provided and should be indicated by a separate symbol.
- c) **Indirect (controlling) interest.** the ownership interest of the trustee in the intermediate enterprise (%) multiplied by the ownership interest of the intermediate enterprise in the company (%). If the voting or ownership interest in the intermediate undertaking exceeds fifty per cent, it shall be taken as a whole⁸⁰
- d) **Designation.** Name of the holdings/assets.
- e) **Date of foundation.** Year (date) of establishment of the trust and the asset (enterprises).
- f) **Headcount data.** Number of persons employed in the enterprises defined as assets.
- g) **Value of Share Capital and Equity.** The value of the subscribed capital (share capital) and equity of the enterprises defined as assets.
- h) **Total assets.** The value of the fixed assets and current assets of the asset item enterprise.
- i) **Balance sheet total.** Balance sheet total of the asset item enterprises.
- j) **Turnover.** The "Net sales from sales" line in the profit and loss account of the asset company.
- k) **Hollow result.** The "Operating profit or loss" line of the profit and loss account of the asset item enterprise.
- l) **Depreciation (amortization).** Depreciation line in the profit and loss account of the asset item company.
- m) **AEE and AE.** The 'Profit before tax' and 'Profit after tax' lines of the profit and loss account of the asset item enterprise.
- n) **Geographical location.** Geographical location of the trustee and the asset (enterprises).

The next page shows a sample of the criteria listed above in the Data Table.

Data table - Sample display

⁸⁰ The shareholding (%) is the percentage of ownership of the trustee in the intermediate undertaking (%) multiplied by the percentage of ownership of the intermediate undertaking in the company (%). 8:2 (4) and Annex 3 to the Act on the Law on the Civil Code (Act CCXXXVII of 2013).) If the voting or ownership share in the intermediate undertaking exceeds fifty percent, it shall be taken into account as a whole.

	A vagyonkezelő cég neve	Vagyon-elemek (részeselek) száma	Vagyonelem (részeselek) neve	Kapcsolati szint	Köztos vállalkozás	Közvetlen / Végő vállalkozás	Vezető tisztség viselő (I) / FB tag (I*)	Részeselek mértéke (%) (**)	Részeselek névértékén (eFt)	Alapítás dátuma	Létszám (fő)	Jegyzett tőke (eFt)	Saját tőke (eFt)	Befektetett eszközök (eFt)	Forgó eszközök (eFt)	Mérleg főösszeg (eFt)	Értékesítés nettó árbevétele (eFt)	Üzemi eredmény (eFt)	Érték-csökkenési kiírás (eFt)	AEE, Adózási előzetes eredmény	AE, adózott eredmény (eFt)
1.	A Vagyonkezelő Zrt.	7	1. Utódias Zrt.	1		X	I	95%													
			2. M Vagyonkezelő Kft.	1	X		N	100%													
			3. Utas 2 Kft.	2		X	N	80%													
			4. TranszHolding Zrt.	2	X		I	98%													
			5. Utód Zrt.	3		X	I	75%													
			6. Gyermekek Kft.	3		X	N	80%													
			7. Unoka Kft.	3		X	I	0%													
2.	Vagyon Kft.	5	1. Testvér 1. Kft.	1		X	I	100%													
			2. Testvér 2. Kft.	1		X	N	90%													
			3. Testvér 3. Zrt.	1		X	N	75%													
			4. ABC Kft.	1		X	I	33%													
			5. XYZ Zrt.	1		X	I	10%													
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(*) "I", ha a vagyonkezelő vezető állású tisztségviselője a vállalat vezető állású tisztségviselője (igazgatója, igazgatósági tagja, felügyelő bizottsági tagja), vagy a a vagyonkezelő tulajdonosa a vállalat vezető állású tisztségviselője/tisztségviselői (igazgatója, igazgatósági tagja, felügyelő bizottsági tagja)

(**) A részeselek mértéke (%) a vagyonkezelőnek a köztos vállalkozásban fennálló tulajdoni hányada (%) szorozva a köztos vállalkozásnak a vállalatban fennálló tulajdoni hányadával (%). Ha a köztos vállalkozásban fennálló szavazati vagy tulajdoni hányad az ötven százalékot (50%) meghaladja, akkor azt egy egységként (100%) kell figyelembe venni.

2. Non-business trust companies

For the companies listed below, the criteria given in points 1.a) to n):

Tax number	Company name
30538766-1-02	AKIM Invest Kft.
30537813-1-43	AKWA Ltd.
30553848-1-41	Albatros Holding Ltd.
30723106-1-13	ANDA Family Ltd.
30755071-1-41	Astley Group Hungary Kft.
30525324-1-42	AT Asset Management Ltd.
30749959-1-41	Atria Constulting Ltd.
30692132-1-43	AURENTA Holding Ltd.
30658091-1-13	Avante Asset Management Ltd.
30513646-1-42	AVOCET Holding Kft.
30730030-1-43	Balázs Trust Asset Management Ltd.
30529964-1-19	BF Trustee Ltd.
30550711-1-19	Bivak Holding Ltd.
30648360-1-13	Bone 2021 Ltd
30532014-1-13	Brunerszky Family Asset Management Ltd.
30733868-1-41	BTND Ltd.
30663992-1-19	C.E.C. Trade and Service Ltd.
30571019-1-43	Capital Trust Trust Asset Management Ltd.
30545171-1-42	Combo-Flex Asset Management Ltd.
30533503-1-41	Condorium Ltd.
30724200-1-41	Control Capital Zrt.
30698066-1-13	Creego Six Ltd.
30517884-1-41	CRE-Invest Asset Management Ltd.
30607624-1-43	DATSYSTEM ADVISORY LTD.
30778412-1-43	DPSD Trust Ltd
30528341-1-42	Eben Property Ltd.
30718920-1-41	ÉLES CORNER Ltd
30499104-1-42	Equity and Trust Asset Management Ltd.
30543540-1-02	Ever White Trust Ltd.
30705856-1-43	FIDUM Asset Management Ltd.
30554485-1-41	FIRENZE TRUST Ltd.
30638206-1-43	Gomer Trust Ltd.
30667051-1-04	GYEFA Asset Management Ltd.
30757499-1-13	Harinvest BVK Ltd.
30771893-1-13	HDF TRUST Ltd.
30686065-1-43	Hellerup Ltd.
30760587-1-42	HEZSOK Ltd.
30553958-1-43	HMV Trust Ltd.
30718865-1-43	Horváth Brothers Family Trust Kft.
30659205-1-42	Hrauda & Stumpf Trust Asset Management Ltd.
30751699-1-43	HUNFedezetkezelő Zrt.
30602942-1-41	IN PROPERTY Ltd.
30648432-1-13	iTrend Consulting Ltd.
30544204-1-41	K & L Network Ltd.
30504648-1-13	Kabina Family Asset Management Ltd.
30632169-1-41	Kallos Trust Asset Management Ltd
30733411-1-41	Katand Invest Kft.
30506389-1-42	Kelso Capital Ltd.
30494570-1-43	CONFIDOMO Trust Asset Management Ltd.

30737855-1-42	KK-industry Asset Management Ltd.
30734546-1-43	Klassis Holding Zrt
30501054-1-11	KOBÁK Asset Management Ltd.
30746949-1-41	Kolyus Trust Ltd.
30525757-1-42	Kovács Family Ltd.
30525513-1-42	Lagom Vagyonkezelő Kft.
30763432-1-41	Leonis Trust Ltd.
30692149-1-42	Levinium Ltd.
30606355-1-13	LYRA Asset Management Ltd.
30517767-1-42	MAGYU Holding Zrt.
30581434-1-08	Matusz Vagyonkezelő Kft.
30660009-1-41	MB Trust Asset Management Ltd.
30426586-1-42	MCKINLEY INVESTMENT HOLDING Ltd.
30753983-1-19	Medicomplex-Financial Ltd.
30536472-1-43	MEET.WORLD Ltd.
30509997-1-42	Minerva Trust Asset Management Ltd.
30497906-1-41	MIRE Trust & Trade Ltd.
30640049-1-41	Mount-Invest Asset Management Ltd.
30505515-1-41	MPM Capital Zrt.
30660061-1-41	MTB Investment Vagyonkezelő Kft.
30668911-1-41	Nanico Consulting Ltd.
30498048-1-42	Joy of Wotan Ltd.
30605622-1-43	N-Salex Ker Ltd.
30722710-1-19	OKLE22 Trust Asset Management Ltd
30496527-1-41	P.R.M. Estate Hungary Kft.
30655029-1-43	Pannon Papír Kft.
30665176-1-43	Parrottino Ltd.
30665152-1-43	Piglet and Friends Ltd.
30511493-1-41	Primus Trust Trust Asset Management Ltd.
30532045-1-43	Ramfort Ltd.
30607301-1-13	Real Estate Property Management Ltd.
30768877-1-13	RED TED Property Management Ltd.
30642560-1-13	Reinhold Trustee Ltd.
30606458-1-13	RVK Asset Management Ltd.
30553855-1-41	Sagittarius Invest Hungary Kft.
30511297-1-42	Saul & Schwartz Ltd.
30723027-1-43	SBA Invest Kft.
30646076-1-43	SEIA Ltd.
30505890-1-41	Silver Nation Asset Management Ltd.
30716791-1-13	SMART AGENT Asset Management Ltd.
30635863-1-43	SOGLOtrust Ltd.
30771862-1-43	STAR SHINING Ltd.
30704044-1-41	STVK Holding Vagyonkezelő Kft.
30699531-1-43	SubUrbico Investment Holding Ltd.
30498763-1-41	SZEPARD Ltd.
30730315-1-41	T&L Trust 2026 Ltd.
30638134-1-41	TAJIB TRUST Ltd.
30555046-1-41	TL Trust Asset Management Ltd.
30752092-1-13	Tóth & Társa Asset Management Ltd.
30554447-1-42	To the Moon Ltd.
30543447-1-11	Tőke Családi Vagyonkezelő Kft.
30519082-1-08	TREND-FORM Asset Management Ltd.
30500039-1-41	Trinvest Holding Kft.
30604504-1-43	Tritavus Ltd.
30766404-1-41	TRST2022 WAGYONKEZELŐ Kft.
30553989-1-41	Knowledge Manager Information Technology Ltd.
30764048-1-43	Unity Asset Management Foundation
30531965-1-43	PU&I 2019 Asset Management Ltd.
30719385-1-13	WH Projekt Kft.
30735279-1-43	ZGR Asset Management Ltd.

3. Business trust companies

For the companies listed below, the criteria given in points 1.a) to n):

12 / 12 találat betöltve



	NÉV	AZONOSÍTÓ	TEVÉKENYSÉG JOGOSULTSÁG	TÍPUS	
●	ABRAHAM Goldmann Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság Előző név: ABRAHAM Goldmann Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	25895016	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	AIRON TRUST BIZALMI VAGYONKEZELŐ Korlátolt Felelősségű Társaság Előző név: 1900 TRUSTEE BIZALMI VAGYONKEZELŐ Korlátolt Felelősségű Társaság	25550557	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	APEL SO TRUST Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	26172394	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	Bergmann Bizalmi Vagyonkezelő Korlátolt Felelősségű Társaság	25702888	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	Capital Trust Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	26583189	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	CONFIDO Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	27543519	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	DH HOLDING Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	26327271	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	EAST TRUST Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	25741766	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	MINERVA Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	25997297	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	Portum Trust Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	27294150	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	Primus Trust Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	25051845	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK
●	SINE QUA NON TRUST Bizalmi Vagyonkezelő Zártkörűen Működő Részvénytársaság	27412741	Végezhető tevékenységek	Bizalmi vagyonkezelő	RÉSZLETEK

12 / 12 találat betöltve

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