Doctoral School of Management Studies

THESIS COLLECTION

HAJDU TIBOR ZOLTÁN

TRUST MANAGEMENT

THE FORM OF TRANSGENERATIONAL WEALTH TRANSFER

For the Ph.D. dissertation titled above

Supervisor:

Prof. Dr. Lukács János
Professor

Budapest, 2024

Institute of Accounting and Law, Department of Accounting

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1. Research Background and Justification of the Topic

The aim of my doctoral dissertation is twofold. First, it seeks to interpret and analyze the trust-based wealth management model in the context of transgenerational wealth transfer related to the succession of family or family-like businesses. Secondly, the objective is to explore the process model of generational wealth transfer within a trust-based wealth management structure.

This doctoral research does not merely aim to describe a phenomenon or process but rather to uncover the underlying cause-and-effect relationships. It examines the conditions for the application and adaptation of trust-based wealth management within an economic, legal, and social institutional context. The focus of the research analysis is to explore and understand the interactions and dynamics between individual-level variables—such as values, behaviors, motivations, attitudes, and actions—and contextual institutional variables at the organizational, corporate, economic, and legal levels.

Additionally, the study investigates the functionality of the institution of trust-based wealth management—an independent wealth management entity distinct from the settlor and the beneficiary—in the succession of family businesses.

I have identified four key attributes of the trust-based wealth management model and process of transgenerational wealth transfer that position this research within the existing literature: family business, business succession, transgenerational wealth transfer, and trust-based wealth management.

Research on family businesses has gained prominence over the past decades, becoming an independent field of study (Gersick et al., 1997; Chrisman et al., 2008; Benavides-Velasco et al., 2013). However, there is no unified definition of family businesses (Astrachan et al., 2002), primarily because the concept of "family" is complex and heterogeneous. The succession of family businesses is characterized by idiosyncratic and unique aspects arising from diverse family and business contexts, a broader range of stakeholders involved in the process, and the incumbent's emotional attachment, which can divert the family head from rational decision-making (Zellweger, 2017).

Transgenerational wealth transfer is an institution linked to succession, involving the transfer of family wealth between generations during the succession process. It is fundamentally a strategy of wealth preservation and creation that spans multiple generations and is a critical success factor in family business succession. Due to its connection to succession, it can be understood within a dynamic model (Habbershon & Pistrui, 2002).

Trust-based wealth management serves as a pivotal tool for transgenerational wealth transfer between generations, especially in situations where (1) the transferor possesses significant wealth or (2) there are complex family circumstances (Langbein, 1997). The primary advantage of trust-based wealth management in these contexts is that it structures the future relationship between the contracting parties (the settlor and the trustee), but most importantly, between the third party designated in the contract, the beneficiary, and the settlor.

Based on the review of international literature, it became evident that there are no explicit models for the wealth management of family businesses and the process of transgenerational wealth transfer. The reasons for this can be found in the diverse structures of national economies, socially varied traditions, and different legal systems. There are inheritance systems with varying degrees of freedom and regulation, representing different legal frameworks and norms.

One of the causes of the research problem stems from the inconsistent use of terminology and differing perceptions of fundamental variables. (1) There is no exact definition of family businesses. (2) The substantive definition of family businesses is unclear. (3) The concept of family and development trajectories vary across national economies.

Another challenge of the research arises from the unique social, economic, and legal environment in Hungary. (1) Similar to other former socialist countries, Hungary's small and medium-sized enterprises (SMEs) and family business development paths deviate from organic growth. (2) There is a lack of institutional experience, as the legal frameworks for certain succession options, differing from the statutory inheritance system, were missing. (3) The possibilities for transferring wealth between generations are shaped by the distinctive characteristics of domestic development. There is a lack of experience with change and transition, and there is systemic unpreparedness, as the first generational transition is only now underway.

Due to the inconsistent use of terminology, differing perceptions of fundamental variables, and the unique domestic social, economic, and legal development, it was not feasible in my research to conduct a systematic review of the literature in the classical sense or to adopt an interpretative approach to a general model. Therefore, I conducted the literature review based on a typology that I developed. In this conceptual framework, transgenerational wealth transfer is viewed as the process of transferring wealth between generations, and trust-based wealth management serves as the institutional framework for wealth governance. Its formation and operation are determined by family and business attributes, as well as external environmental and internal operational indicators of transgenerational wealth transfer.

In my doctoral dissertation, I summarize and synthesize the research organized according to this line of thought (my typology) and identify critical points that are essential to understand and address for applying trust-based wealth management as a transgenerational wealth transfer model. Following my concluding findings, I established the process model of the trust-based wealth management structure related to the succession of family businesses.

The institution of trust-based wealth management lies at the intersection of economics and law. Behind the contractual form or unilateral asset disposition lies the essence of goal-oriented asset management. Trust-based wealth management can be applied for various economic purposes, including transactional, tax, succession, and social objectives, among others. The focus of my research is on the intersection of this institution with the succession of family or family-like businesses and generational wealth transfer. Trust-based wealth management is a relatively new legal institution in Hungary, closely resembling the Anglo-Saxon concept of trusts.

To theoretically ground my research, I examined the intersection of trust-based wealth management and transgenerational wealth transfer, focusing primarily on its functionality and economic content. Trust-based wealth management involves transferring the rights to manage assets to a trustee for a specified period and purpose or to fulfill a particular task. In essence, I interpret trust-based wealth management as a time-delayed forward transaction, where an obligation of asset management arises between two points in time—the transfer and the distribution. This asset management obligation includes the preservation and appreciation of the entire portfolio of transferred assets.

In relation to family business succession, I explored the process of transgenerational wealth transfer. My starting point in the literature was the common attributes of family firms, specifically their transgenerational nature and long-term survival intention (Chua et al., 1999; Zellweger, 2017). To explore the applicability of trust-based wealth management, I identified, parameterized, and systematized the process of transgenerational wealth transfer, the variables influencing the selection of wealth management models, and the critical points that aid in understanding trust-based wealth management as a transgenerational wealth transfer model and its application.

2. Methods Used

The current research examines how different logics are activated in decision-making related to transgenerational wealth transfer and the selection of trust-based wealth management as a model for such transfers. It investigates the factors and variables influencing these decisions in the unique contexts of individual actors. Trust-based wealth management is interpreted as both an institutional framework for transgenerational wealth transfer and as a structural process for generational wealth transfer (succession). In my research, the philosophical stance is pragmatic.

2.1. Research Question

The research on trust-based wealth management currently predominantly focuses on its legal implications, with a significant gap in exploring the economic content, causal relationships, and substantive aspects of wealth management. With a more rigorous approach, the essence of the institution can be understood as an economic act involving asset management for a specified period. My primary goal was to take initial exploratory steps in this research area, which involves developing theories that interpret domestic conditions and contextualizing the general issues raised by international research within the Hungarian context. During my research, I sought to answer the following three questions: (1) What internal, organizational, and external, environmental contexts frame transgenerational wealth transfer? (2) What indicators determine the selection of trust-based wealth management as an institutional model for transgenerational wealth transfer? (3) Can trust-based wealth management serve as a realistic and effective alternative for the succession of (family) businesses and transgenerational wealth transfer in Hungary?

I formulated my research question as follows: **What factors facilitate the establishment and long-term sustainable operation of trust-based wealth management structures aimed at transgenerational wealth transfer?**

2.2. Breakdown of the Research Question: Hypotheses and Propositions.

To address the research question, I initially developed logical connections that served as the basis for detailed data collection and analysis. Special attention was given to the limited availability of quantitative data, the relative novelty of the institution of trust-based wealth management, the adaptability of international experiences to the Hungarian context, and the application of trust-based wealth management at the intersection of legal and economic approaches. I investigate the research question with the following propositions and hypotheses:

The likelihood of applying trust-based wealth management structures for transgenerational wealth transfer increases if:

Proposition 1.a: There is no potential successor with the necessary skills or motivation.

Proposition 1.b: Family members cannot reach an agreement on the transfer of ownership and the distribution of corporate governance positions.

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

Hypothesis (H1): A significant portion of the wealth is in the form of equity (e.g., corporate investments, business ownership).

The process and time requirements for establishing a trust-based wealth management structure for transgenerational wealth transfer can be influenced by:

Proposition 3: Operating a business within a holding structure facilitates the transfer of wealth into management.

Proposition 4: The degree of corporate professionalization supports the successful completion of the design phase.

Proposition 5: The role of general and non-liquid intangible asset categories in the business affects the financial and time resource requirements for the transfer.

Proposition 6: The existence and elaboration of a family agreement (constitution) reduces the financial and time resource requirements for the establishment process.

The impact of implementing a trust-based wealth management structure for transgenerational wealth transfer can be:

Proposition 7.a.: The introduction of trust-based wealth management strengthens the professionalization of the family's ownership subsystem.

Proposition 7.b.: The introduction of trust-based wealth management weakens the family members' sense of identity with the family business.

Proposition 7.c.: The introduction of trust-based wealth management weakens the ability to utilize family resources for the benefit of the company.

Proposition 8.a.: The introduction of trust-based wealth management strengthens the further professionalization of the business.

Proposition 8.b.: At least one company in the family business portfolio requires professionalization due to its size and operations.

Proposition 9: The introduction of trust-based wealth management has a value-preserving and value-enhancing effect on the managed assets.

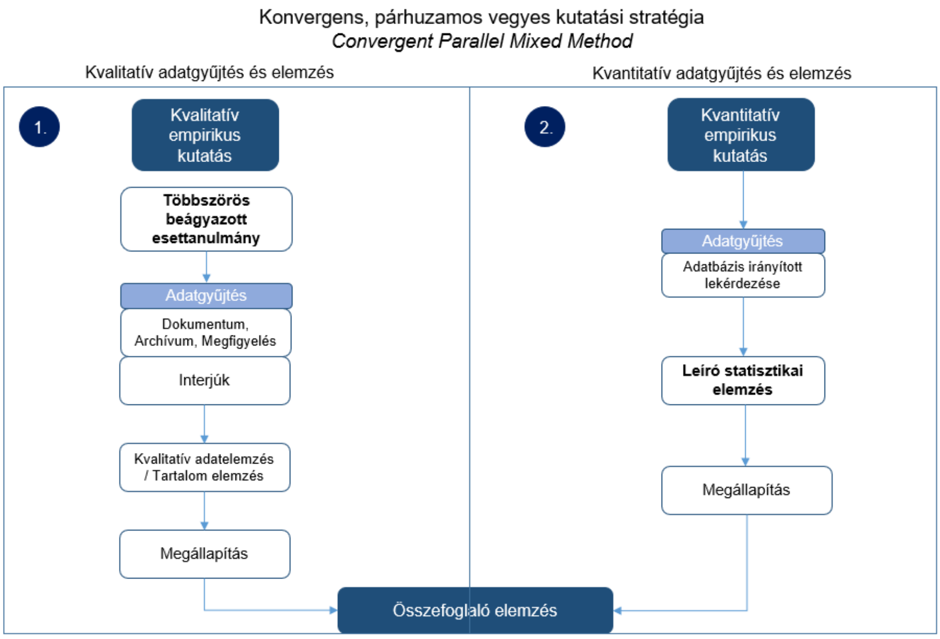
Hypothesis (H2): In the case of trust-based wealth management, the portfolio of managed assets is dominated by corporate shares.

2.3. Chosen Methodology

Previous research did not provide a comprehensive overview of the application of trust-based wealth management as a tool for transgenerational wealth transfer in Hungary. Therefore, I aimed to use a research method that would provide a cohesive and clear picture of how founders of family or family-like businesses perceive generational wealth transfer (succession and inheritance), and how this understanding informs their strategic efforts to establish and sustainably manage trust-based wealth management structures. Consequently, I opted for a mixed-methods research approach.

The examination of the functionality of trust-based wealth management in transgenerational wealth transfer was conducted through two phenomena: the indicators (variables) that determine the process of wealth transfer and the characteristics of the managed wealth. Given the complexity of the topic, I employed a convergent and parallel mixed-methods approach (Creswell, 2014) (See Figure 1).

Figure 1.: Applied Research Strategy



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The choice was justified by the following reasons: (1) Nature and Complexity of the Topic: Given the nature, complexity, and relatively recent establishment of the trust fund institution, the two methodologies can complement each other by generating primary data. They do not merely support each other but work together to provide a comprehensive understanding. (2) Lack of Published Data: There is no publicly available data; the data that exist are confidential. Trust fund agreements are recorded in a non-public registry maintained by the Hungarian National Bank (MNB). (4) Restricted Data Access: Due to the confidential nature of the data, access to empirical quantitative data is limited. However, primary data could be extracted through targeted queries from available databases. Thus, the collection and processing of quantitative data were conducted alongside qualitative approaches and inductive reasoning. Following this, the collected data were subjected to "triangulation" to validate and ensure the robustness of the findings.

The choice was also supported by my pragmatic philosophical approach, which asserts that the causal relationships behind certain socio-economic and corporate phenomena cannot be fully examined using only quantitative methods. I believe in the compatibility of different philosophical paradigms and methodologies, with their relative importance determined by the research questions posed about the central phenomena of the study. Therefore, my research strategy was defined by this pragmatic philosophical stance, leading to the selection of a mixed research methodology. This approach involves the combined use of case studies and descriptive statistical analyses based on targeted queries from databases.

In my dissertation, I tested the research question and formulated propositions through multiple embedded case study research using qualitative methods. During the qualitative empirical research, I conducted 21 in-depth interviews across six cases. The process model I developed for the trust structures related to succession and transgenerational wealth transfer in family-owned or family-like businesses consists of three main phases: preparation, establishment, and operational stages. The generational wealth transfer occurs in parallel along two dimensions. The corporate/asset line represents the portfolio of managed assets, while the family line defines the internal structure and the relationship system between the managed wealth, the transferor (incumbent), and the beneficiary/heir family members. The interviews were selected to achieve theoretical saturation, ensuring that all three stakeholder levels were observed: the incumbent/settlor level, the beneficiary/heir (successor) level, and the trustee/corporate agent level.

The choice of a case study-based research strategy was further justified by additional circumstances. I was fortunate to participate in the non-commercial trust management setup for a business group of a Hungarian Forbes Top 100 entrepreneur between 2018-19. This specific case provided me with the opportunity to comprehensively explore, interpret, and systematize the process of establishing trust management, and to monitor the management of the assets in a transgenerational wealth transfer situation. The experiences gained from this case were instrumental in shaping my research approach. To avoid bias and ensure self-reflection (the "bracketing" of prior knowledge—epoche), I considered it crucial to allow sufficient time to pass since my active involvement in the case. This approach was aimed at ensuring objectivity in my research.

In my research, I adhered to the principle of purposive selection rather than random sampling (Creswell, 2014; Horváth & Mitev, 2015). The sampling was purposeful, and the selection of cases was based on theoretical sampling. I expanded the sample size until theoretical saturation was reached (Horváth & Mitev, 2015; Creswell, 2014). Due to the multiple embedded case study approach, I followed the sampling typology outlined by Miles & Huberman (1994) in selecting the sample size and preparing the interviews. I commenced my case study research in the summer of 2022. Given the three-year gap between my prior practical experience and the start of my research, I ensured the avoidance of bias and maintained self-reflection (bracketing prior knowledge), thereby meeting the conditions for an objective approach.

Due to the limited availability of primary data on trust-based wealth management as a transgenerational wealth transfer mechanism, my chosen method for addressing the research question was primarily case study research. During the qualitative data collection phase, I adhered to principles of high-quality data collection, including triangulation, internal validity, generalizability, and reliability. For this research, I utilized a case study protocol (Yin, 2003). The primary data sources for the case studies included interviews and documents, while secondary sources comprised direct observations, archival data, and personal experiences.

I conducted the interviews in a structured format, following a protocol (Yin, 2003). I employed a semi-structured interview method with open-ended questions. This approach allowed the interviewee to open up and facilitated the rapid extraction and flow of extensive and high-quality information. The interviews were divided into three parts. In the first part, I focused on clarifying and reviewing the participant's role in the past, particularly in the process of establishing the trust-based wealth management system and the period leading up to it. The second part involved understanding and analyzing the participant's role in the current operation of the institution and its functioning. The third part addressed the participant's opinions, evaluations, and interpretations of the institution (trust-based wealth management).

I conducted the case study analysis using a general analytic strategy. The information obtained during the case study was systematically and analytically categorized and organized. I grouped and categorized the information by themes, and examined the potential interconnections between the data (flowcharting). For the general analysis strategy based on theoretical propositions, I employed pattern matching and logic models analysis techniques

(Yin, 2003). In my research area—developing and managing trust-based wealth management structures for transgenerational wealth transfer—I did not find an explicit model in the literature. Based on my own conceptual framework and literature review, I was able to develop an implicit process model consisting of a series of steps and decisions for transferring a family business into trust-based wealth management.

In the quantitative phase of the research, I examined the trust-based wealth management structure and the managed assets within transgenerational wealth transfer. The managed wealth comprises the total assets placed in trust by the trustor (incumbent), distinct from the trustee's personal assets. According to current Hungarian regulations, the managed wealth does not constitute an independent legal entity but must be recorded separately (principle of asset segregation, Civil Code 6:312 §). I analyzed the managed wealth by examining its variables, starting with the assumption that businesses engaged in trust-based wealth management are a subset of businesses involved in wealth management in general. According to my hypotheses derived from the research question, trust-based wealth management is an appropriate transgenerational wealth transfer mechanism if a significant portion of the wealth consists of business assets (company shares). Conversely, the trustor applies trust-based wealth management for transgenerational wealth transfer when a substantial part of the portfolio consists of companies (shares) and their weight is significant in the total value of the wealth (portfolio). I demonstrated this through descriptive statistical analysis by comparing the characteristics of the wealth managed by two populations: businesses engaged in general wealth management and wealth managers operating as independent legal entities managing trust-based wealth. This comparison involved evaluating indicators and statistics associated with each population's managed wealth.

There are no primary public data available on trust-based wealth management—neither on the managed assets nor on the trust managers themselves. The National Bank of Hungary (MNB) maintains a registry of trust managers, but access to this information is restricted for research purposes. Only the catalog of commercial trust managers is publicly accessible, and data on their managed portfolios can only be derived from secondary sources. With the assistance of my advisor, I had the fortunate opportunity to collaborate with Opten Informatikai Kft. (OPTEN), which manages a comprehensive company information database in Hungary. Through this collaboration, I was able to query individual data from their closed database based on the set of companies and criteria I defined. Consequently, my research was conducted using (secondary) databases created from the OPTEN company information database, which involved collecting data according to specific criteria. I identified companies engaged in wealth management, determined the characteristics of their managed portfolios, and drew conclusions about trust-based wealth management based on this data.

In examining the functionality of trust-based wealth management as a form of transgenerational wealth transfer, I tested the hypotheses related to the managed assets through analysis and tests of two data tables I constructed based on variables I defined. These tables compared the portfolios of non-commercial legal entity trust managers with those of trust managers whose primary activity is wealth management (TEÁOR 64.20). The data tables included various nominal (binary) and scale variables, structured to facilitate the analysis and comparison of managed assets. Given the complexity of indirect ownership and the possibilities of direct and indirect ownership, a critical point in the analysis was determining the actual stake (influence) of the wealth manager in each asset. The tables contained the following information: aggregated number of assets managed by different types of wealth managers. and aggregated financial and valuation data of the assets, broken down by wealth managers, including figures such as registered capital, equity, invested assets, revenue, and operating profit, based on the actual ownership stakes in the assets. This approach allowed for a comprehensive comparison of how the portfolios managed by non-commercial trust managers differ from those managed by wealth managers who focus primarily on wealth management.

I compared two groups—companies managing wealth in a trust-based format and companies engaged in wealth management as a business—using Shapiro-Wilk and Mann-Whitney tests, as well as Boxplot (histogram) distribution analysis. The comparison was conducted across different asset portfolio sets, examining various measures based on ownership shares and their proportions.

3. Finding of the Dissertation

No explicit model of trust-based asset management as a transgenerational wealth transfer mechanism was found in the international literature. This absence can be attributed to differences in economic development, social and cultural traditions, and varying legal systems. However, based on the preliminary typology I developed and the international literature review conducted, a model emerged that illustrates the structural design and functioning of trust-based asset management.

3.1. Identified Literature Connections

Based on the literature review organized according to my preliminary typology, I have identified several critical points and made proposals for the successful application of trust-based asset management as a transgenerational wealth transfer mechanism:

1. **Resolving the Value Preservation vs. Value Growth Paradox**: The apparent contradiction between value preservation and value growth can be resolved if the focus on strict value preservation shifts towards a modern portfolio-based management approach. This approach emphasizes strategic diversification and risk management, which can help balance preservation with potential growth.
2. **Adopting the "Prudent Investor" Perspective**: In managing asset portfolios and associated risks, it is crucial to adopt the "prudent investor" perspective rather than the traditional "prudent person" approach. This perspective considers the entire portfolio's risk-return profile, allowing for more dynamic and informed investment decisions.
3. **Trust-Based Management Principles**: Trust-based asset management requires that the trustee acts with impartiality and considers the best interests of the beneficiaries. The trustee must adhere to principles of fairness and impartiality, ensuring decisions are made based on the beneficiaries' overall well-being rather than any exclusive interests.
4. **Role of the Trust-Based Asset Manager**: Trust-based asset management serves as an intermediary institution between the asset owner (family member) and the beneficiary (family member). The asset manager can be an individual but is often an organization with a separate legal identity, structured for operational independence and governance distinct from both the owner and the assets.
5. **Emergence of Multiple Agency Relationships**: Trust-based asset management often results in multiple agency relationships: a dual agency situation involving the owner-asset manager-corporate manager, and a dual principal-agent relationship between the asset settlor-beneficiary-asset manager. These relationships must be managed carefully to avoid conflicts and ensure that all parties' interests are balanced.
6. **Organizational Structure and Decision-Making in Asset Management**: The organizational and operational structure of the asset manager, along with the comprehensive guidelines established for asset management, serve as counterbalances to the risks associated with agency costs. Effective governance and clear decision-making frameworks are essential to mitigate these risks and ensure effective asset management.

3.2. Main Findings

Main Findings Based on the Literature Review:

1. **Heterogeneity in Family Businesses Post-First Generation**: Family businesses become increasingly heterogeneous after the first generation due to multiple successions. Family relationships can weaken, leading to conflicts of interest among members who were once part of a cohesive unit.
2. **Changing Family Content**: The traditional normative and moral (religious) values of family life are replaced by varying family perceptions shaped by different societal developments. This evolution reflects broader societal changes impacting family dynamics.
3. **Succession Constraints**: The variables derived from the attributes of the natural person or persons involved in succession—such as the personality, will, and abilities of the successor (heir) and the predecessor (incumbent), the degree of family embedding, and the internal family structure—limit the realistic succession alternatives for the given situation.
4. **Increasing Complexity of Companies**: As companies grow, they become larger, more opaque, and more complex, distancing themselves from the family. The family is no longer able to manage the company as effectively as it did when the business was smaller and operated by a single founder.
5. **Transgenerational Intent and Long-Term Survival**: A common attribute of family businesses is the intent for transgenerational continuity and long-term survival (Zellweger, 2017). Succession strategies and wealth transfer alternatives are determined by the "institutional matrix" of external variables affecting the wealth transfer, as well as the unique variables arising from the structure and operation of the family and the wealth (business).
6. **Agency Problems and Costs**: The separation of ownership (wealth) and control (management) introduces agency problems in family businesses, increasing agency costs. Conflicts and associated costs can also arise among family members due to multiple ownership interests. This situation justifies the use of intermediaries, or "wealth management wedges," including trust-based asset management.
7. **Role of Trust**: Trust is a fundamental pillar of social, relational, and business interactions (Carney, 1998). It also serves as the cornerstone for separating the family from the wealth and managing the wealth independently.

8. **Legal and Historical Influences on Trust-Based Structures**: The formal manifestations and alternatives of "wealth management wedges" are influenced by the legal system (legal regulations), historical characteristics, and traditions specific to the given society.
9. **Adaptation in Developing Legal Systems**: In developing or transitional economies—such as post-communist Hungary—the adaptation of institutions is feasible as the economy and its institutional systems are still evolving.
10. **Trust as a Form of Wealth Management**: One prevalent form of wealth management is the trust, which in Hungarian law is known as "bizalmi vagyonkezelés." Introduced into the Hungarian legal system by Act V of 2013 (Civil Code), this regulation follows a portfolio-based approach to asset management.
11. **Applicability of Trust-Based Asset Management**: Trust-based asset management is applicable to transgenerational wealth transfer situations. These situations arise either from: (1) specific characteristics and peculiarities of the wealth (business) in a given context or (2) the life circumstances and attributes of the asset settlor (founder) and/or the beneficiary (recipient).

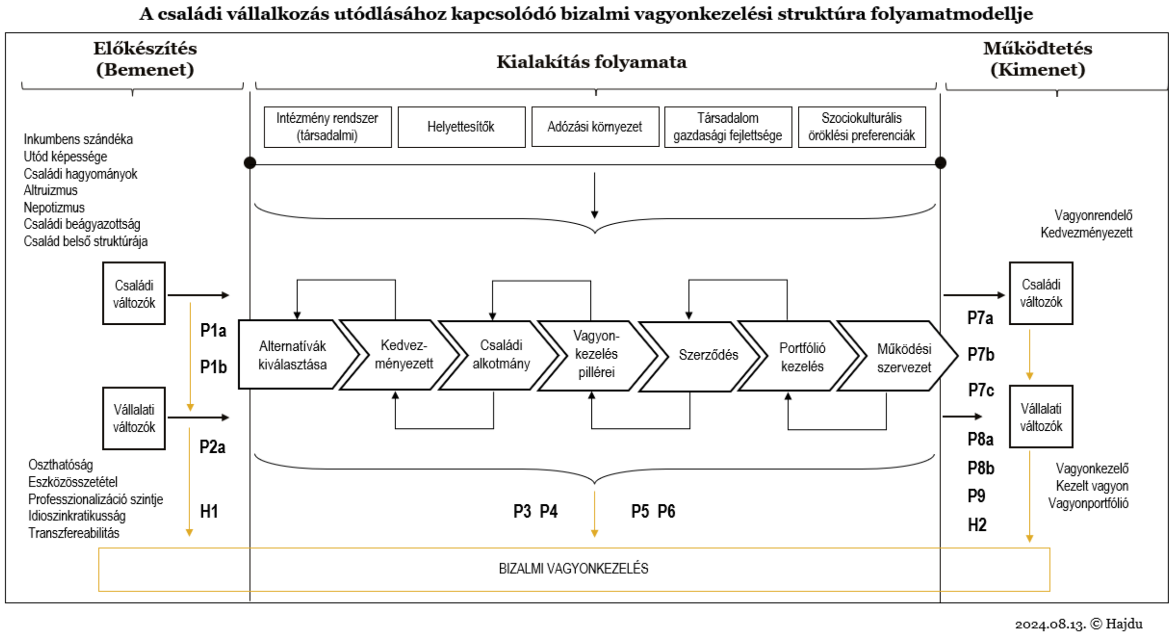
3.3. My Model

Based on the critical points, propositions, and main findings identified through the literature review conducted according to my typology, I have defined the theoretical framework of my research as follows:

1. **Trust-Based Wealth Management as a Viable Transgenerational Wealth Transfer Mechanism**: Trust-based wealth management represents a practical and effective alternative for transgenerational wealth transfer. It can serve as a strategic tool for founders of family or family-like businesses to implement a multi-generational inheritance strategy.

2. **Process Model for Trust-Based Wealth Management**: The transfer of a family or family-like business into trust-based wealth management involves a series of interrelated steps and decisions. This process can be conceptualized through a process model that outlines the structured approach to implementing and managing trust-based wealth management.

Figure 2: Process Model of Trust-Based Wealth Management Structure for Family Business Succession



Source: Created by Author

3. The process model is composed of three main phases: preparation, establishment, and operation (management).
4. The establishment phase consists of additional sub-stages, and the process is non-linear. The output of each stage influences the input variables of the subsequent stage or feeds back into earlier stages (iteration).
5. The process of transferring family businesses into trust management occurs along two parallel dimensions. The corporate/asset line represents the portfolio of managed assets, while the family line defines the internal structure and the relationship dynamics among the transferring and beneficiary family members.
6. The selection of the trust management structure for transgenerational wealth transfer is determined by the institutional matrix of external objective environmental variables and the system of internal indicators related to the family and business uniqueness.
7. Trust management is a realistically applicable tool for transgenerational wealth transfer in Hungary. It is relevant to family and personal situations as well as to asset and business contexts, especially considering that the generational transition of the regime-changing generation is currently pertinent.

3.4. Responses to Research Questions

Based on the propositions and hypotheses derived from the dissertation's research questions and integrated into the process model, the following results and conclusions were obtained:

Based on the propositions 1.a. and 1.b. of my conceptual theoretical framework, I found that in the examined cases, family characteristics—such as the capabilities and motivation of potential successors and the family members' ability to reach agreements on ownership distribution and the transfer of management positions—significantly impact the application and likelihood of using trust management as a transgenerational wealth transfer mechanism.

Regarding Proposition 2, I observed in the examined cases that family or family-type businesses typically held more than one corporate share (company) within their portfolio. This characteristic influenced the choice of the trust management structure by the settlor and the strategy for transgenerational wealth transfer.

Based on the validation of my research hypothesis (H1) regarding the composition of the managed assets, it was acceptable to conclude that in cases where the family or family-type business consists of multiple corporate shares (business investments), trust management can be a realistic and effective alternative form for transgenerational wealth transfer.

In relation to the phases of developing the trust management structure outlined in my theoretical framework, the process model revealed the following insights:

Regarding Proposition 3, related to the corporate characteristics, my research findings indicate the following: In the examined cases, it was observed that the use of a holding structure for managing business operations does not correlate with, nor generally affect, the process of transferring assets into trust management.

In the examined cases, it was found that the advancement of corporate professionalization due to a long operational history, and its manifestation across multiple corporate dimensions (such as governance, organizational structure, and reporting systems), facilitated the successful completion of transferring the company or corporate group into trust management.

In the business activities of family or family-type enterprises, the significance of general and non-tradeable asset groups primarily impacts the financial and temporal resource requirements for placing the business into trust management. Proposition 5 can be generalized with a sui generis addition that the general and non-tradeable intangible asset group plays a significant role in transfers where the primary aim of the trust management is the sustainability and continuation of business operations.

Regarding Proposition 6 related to the family constitution phase of the process model for establishing a trust management structure, the examined cases did not provide conclusive evidence to either confirm or refute the impact of a family agreement (constitution) on reducing the financial and temporal resource requirements for developing a trust management structure.

Based on Proposition 7.a of my conceptual theoretical framework, I found that the use of trust management as a transgenerational wealth transfer mechanism has an impact on the ownership community among family members and enhances the professionalization of the family's ownership subsystem.

Based on Propositions 7.b and 7.c related to the familial impact, the findings from the examined cases clearly indicate that the use of trust management did not weaken the beneficiaries' familial business identity or diminish the utilization of family resources within or for the benefit of the family business.

A vállalati/ vagyoni hatást kifejező 8.a. propozícióval kapcsolatban vizsgált esetekben azt tapasztaltam, hogy *a bizalmi vagyonkezelés alkalmazása a vállalkozás professzionalizációját erősíti.* A professzionalizáció mértéke és súlya azonban a transzgenerációs vagyonátadási vagy más céltól (adózási stb.) függően eltérő, és befolyásolja a vagyonrendelő és vagyonkezelő személyének azonosága is.

Regarding Proposition 8.a, which addresses the corporate or asset-related impact, the findings from the examined cases confirm the implementation of trust management typically strengthens the professionalization of the business. However, the degree of professionalization achieved varies depending on the specific objectives of the trust arrangement and the identities of the settlor and trustee involved. This suggests that while trust management promotes professional practices, the outcomes can be influenced by the underlying goals of the trust and the characteristics of the individuals managing it.

Regarding Proposition 8.b, the examined cases did not show that the size or operational aspects of the businesses necessitated professionalization. Therefore, Proposition 8.b was found to be unsupported by the data and was rejected.

Based on Proposition 9, in the cases examined, I found that the trust management had a value-preserving and value-enhancing effect on the managed assets. The current capital value of the managed assets was significantly higher in every case compared to the initial capital value of the managed assets.

According to the research hypothesis concerning the composition of the managed asset portfolio (H2), it was acceptable to state that the portfolio of managed assets is predominantly composed of equity stakes.

3.5. Summary of Research Findings

Based on my research, it has been confirmed that trust management is an effective mechanism for conducting transgenerational wealth transfer. With economic and social development, its role in wealth preservation becomes secondary, evolving into a risk- and portfolio-oriented wealth management approach. The primary goal of this approach is to ensure the long-term sustainability of the wealth, as defined by the trust settlor, which includes a minimum duration of preservation.

Sustainability, particularly in managing equity stakes, shifts from passive wealth preservation to active asset management. This active management not only maintains the family character of the business but also ensures that management succession transitions from personal attitudes, relationships, nepotism, and altruism to a more classic agency role over time.

4. Key References

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5. Publications Related to the Topic

Hajdu, Tibor Zoltán *Fiduciary asset management: As a means of founders' transgenerational succession strategy* Economy and Finance English-Language edition of Gazdaság és Pénzügy 9: 3 pp. 189-213., 25 p. (2022)

Hajdu, Tibor Zoltán *Bizalmi vagyonkezelés: Az alapítók generációkon átívelő öröklési stratégiájának eszköze* Gazdaság és Pénzügy 9: 3 pp. 197-221., 25 p. (2022)

Lukács, János; Hajdu, Tibor Zoltán *A bizalmi vagyonkezelés és a családi vállalkozások jövője a generációváltás egyik eszköze,* In: Budapesti, Corvinus Egyetem Számvitel Tanszék (szerk.) Fókuszban a változás avagy nemzetközi trendek a pénzügyi és a számviteli oktatásban és kutatásban: V. Bosnyák János emlékkonferencia és más kutatási eredmények, Budapest, Magyarország : Budapesti Corvinus Egyetem (2021) 246 p. pp. 218-235., 18 p. Konferenciaközlemény (Könyvrészlet) | Tudományos

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