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INSIGHT · 4 AUGUST 2026 · 7 MIN READ

# When disaster strikes and a crisis needs to be managed immediately and forcefully

It was of utmost importance that an outsider as executive officer took on the liability shield to protect the family against any claims. Settlements had to be made with the liquidator, creditors, tax authorities an so on

Are you and is your family prepared to take on any possible disaster that may occur? What happens when the single linchpin of an international business group suddenly passes away? It is the ultimate stress test for any wealthy family. This real-world case study reveals how a lack of governance can instantly freeze a family's international assets—and how an independent trusted advisor can step in to serve as a vital liability shield and strategic orchestrator and executor.

## The Crisis: A Worst-Case Succession Scenario

An internationally residing family was caught completely unprepared by the sudden, terminal illness of the pater familias (PF). I was called by their private banker to come in and resolve all matters the family would be confronted with. As the sole legal director, the PF managed all family companies and private funds single-handedly. On his deathbed, and without even to have a chance to meet face-to-face, he signed a contract appointed me as the family's exclusive independent family officer. One week later, he passed away.

Directly after contracting I made my way to the head company that seemed to be in most critical situation because of this event. Entering the company and talking with the staff it was clear that this company was in tremendous troubles. The apparel company demanded a new investment round for the summer seasons collection and payments for winter seasons production. All investments were paid out of the family's private capital and regained with the sales of the apparel. Since the pf died and he was the sole legal director, all sources and bank accounts were frozen until further clarifications and legal transfers of ownership and responsibilities. It took a devastating six weeks to have this arranged while I was making arrangements with suppliers, clients, tax authorities and other stakeholders. In week two I presented six scenarios for the family, since all their international companies were financially intertwined as did their various private funds. Their major private trust investment fund was partly owned by family members who were not legal owners of the business activities. The pf had not been able to fulfil his legal obligations with regard to a timely depositing of the annual financial figures and tax payments. In a legal sense there was a direct liability to the pf, but since he died, it was transferred directly to me as their trusted advisor. A handwritten note in three sentences on the deathbed and a letter being read at the funeral had to be interpreted and carefully being translated into a legal notary testimony. It was a testimony purely for tax purposes, but informally there was a different heritage scheme. All things going parallel we tried to sell of some land of the family to free up resources to rescue the company and meanwhile I searched and came down to three parties seriously investigating the company for a takeover or cooperation. At the private side a legal combat started with a faraway aunt who had no ownership rights to the companies and real estate but had ownership rights in the family trust fund. The partner, widow of the pf, was not married to him but contributed with her own private means over thirty years to the businesses. His son, thus stepson to the widow, was (legally) the only inheritor. Various activities, ownership rights, legal residencies in international settings had to be managed the best way possible. In the General Agreement we concluded to sell of all business activities and real estate for the purpose of a freeway future for the widow and the (step)son. In this turmoil of events there was unfortunately no other way than to liquidate the core company to control potential damage at other places.

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Settlements had to be made with the liquidator, creditors and tax authorities. It was learned that specialists such as accountants, tax and legal advisors in different jurisdictions can detriment the overall families' interests if they would not be orchestrated by the trusted advisor.

The consequences of this unprepared situation were immediate and potentially devastating:

**Frozen Assets:** Because the sole legal signatory was gone, all corporate bank accounts and funding sources were instantly blocked. Some real estate assets needed to be sold immediately.

**Operational Chaos:** The family's apparel company desperately needed capital for summer inventory and winter pre production payments. Suppliers, clients, and tax authorities demanded immediate answers.

**Inherited Liabilities:** The PF had failed to file annual financial figures and tax returns on time. Legally, direct liabilities over the estate both in business as well as private were placed. Since none of the family members could oversee the consequences all liabilities were instantly transferred to the newly appointed trusted advisor. A situation one will not find easily an advisor to do so…

**Family Infighting:** A bitter dispute erupted. The PF's unmarried partner of 30 years had no legal status but deep financial stakes, since they had totally merged their personal and financial lives. There was not even a partnership convenant and no testament. The son was by law the sole legal heir. Meanwhile, a faraway aunt launched a legal battle over rights within a family trust fund.

**Trust Governance Blocks:** for personal reasons and apparently deep fear of public openness, the PF had installed a trustee representing the family fund and a legal advisor for the investment strategy. Apart from the ridiculously high costs, this "governance" had not brought the family any positive result, on the contrary. One may wonder what happened over the years…

## The Intervention: Regaining Control Amid the Storm

It took six grueling weeks to untangle the cross-border bank blockages and transfer ownership responsibilities. In the meantime, I enacted an forceful crisis management strategy:

**Strategic Mapping:** Presented six restructuring scenarios within two weeks to address the intertwined international companies.

**The Liability Shield:** I stepped into executive roles to absorb personal liability risks, protecting the grieving family members from aggressive creditors, tax and legal claims. This is an extraordinary role that is rarely found among (independent) trusted advisors, family officers…

**Orchestrating the Specialists:** Aligned and managed defensive positions across disjointed networks of local accountants, lawyers, and tax professionals in multiple countries.

**The Structured Exit:** Through a unified General Agreement (the Ekklesia Agreement, see my earlier article), the family agreed to sell off all real estate and business activities. The core apparel company was liquidated to contain damage, ultimately securing a debt-free, independent financial future for both the widow and the son.

**The Ekklesia:** on a regular basis and upon demand of one of the members of the family as well as the independent family officer a so called Ekklesia was held: a meeting to discuss the progress and obstacles in achieving the General Agreement / the Ekklesia Agreement. Specific measures were taken to make sure everybody was on board and performed their part.

## Five executive lessons for high-net-worth families

1. **Zero-Hour Preparation is Mandatory.** Do not wait for a crisis to map out your succession. Proactive governance planning with a trusted advisor ensures that banks, courts, and tax authorities cannot freeze your operations when a key leader falls ill or other disaster strikes.
2. **Balance Collective Wealth with Individual Needs.** Families often prioritize the collective heritage. However, a sustainable governance model must actively balance corporate continuity with the emotional and financial realities of individual family members. Where possible unite, where necessary unbundle the collective
3. **Deploy an External Liability Shield.** When navigating unknown legal or financial crises (terra incognita), appoint an experienced outsider. They possess the objective courage required to absorb direct liabilities and defend family interests under fire.
4. **Drive Absolute Alignment (The ‘General Agreement’).** Chaos breeds division. In a crisis, the family must stand united behind a single ‘General Agreement’ that clearly delineates varying roles, voting controls, and individual ownership rights. This as to execute the strategic agenda as convened.

5 **Synchronize Advisor Incentives.** The goals of your trusted advisor must perfectly reflect the long-term goals of the family. Clear accountability, transparent responsibilities, and performance-aligned structures empower everyone to cooperate on equal footing. This includes your advisor, so there are no other goals involved.

Do not let a sudden disaster or tragedy paralyze your family legacy. Is your governance structure truly bulletproof? Contact us today to audit your current succession frameworks and protect your wealth for generations to come.



ABOUT THE AUTHOR

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Michael Pullens is the founder of Investments@Work. The firm was established in 2000 and builds on his professional experience since 1988 in value management, family offices, private equity and cross-border advisory across Switzerland, Italy, Monaco and the Netherlands.

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