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WEALTH STRUCTURES / FAMILY GOVERNANCE

# Family Limited Partnerships: *Governance* at Scale

When the cap table includes cousins, clarity is not optional. An FLP is how you make decisions legible before money makes them loud.

SYSTEM ARCHETYPE 027

## FLP / *Partnership* /

A family limited partnership wraps operating assets and governance rules inside a partnership shell: control concentrates with the general partner; economic interests can be shared among limited partners. Read

it with trusts, boundary critique, and modular systems—because the failure mode is always coupling: family drama leaking into operations, or operations leaking into Thanksgiving.

## 1. A Business *Shell* for Kin

A **family limited partnership (FLP)** is not a personality test for Thanksgiving. It is a governance wrapper: general partners run decisions; limited partners hold passive interests. Done with integrity, it clarifies who decides, who benefits, and how value moves across generations. Done sloppily, it becomes a story regulators do not enjoy hearing.

Anchor the concept in boundary critique: what sits inside the partnership, what stays personal, and what must never commingle if you want the structure to remain legible under stress.

*"Family wealth without published interfaces  
becomes politics with a cap table."*

## 2. Economics vs. *Theater*

Valuation methodology, transfer timing, and economic substance matter more than the acronym on the letterhead. If the entity has no real function—no assets, no operations, no documented decisions—it reads as costume. If it runs a real portfolio with minutes, policies, and arm's-length discipline, it reads as architecture. First principles apply: name the job before you name the vehicle.

## 3. Coupling and *Conflict*

FLPs concentrate family coupling: one dispute can infect operating companies, trusts, and personal guarantees. Modular systems discipline suggests clean interfaces between the FLP, operating entities, and personal balance sheets—separate banking, clear distribution rules, and written escalation paths.

Roles, votes, distributions, exit windows—if a smart teenager cannot summarize it, it is too opaque.

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02

## Instrument cash and decisions

Minutes, appraisals where required, investment policy statements—evidence is part of the system.

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03

## Map coupling to trusts and ops

Where does liability chain? Where does control chain? Diagram both—see [trusts](#) for fiduciary interfaces.

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04

## Budget maintenance entropy

Tax prep, legal, filings—price them like [entropy](#), not miracles.

# 4. Education, Not *Secrecy*

Heirs who meet the structure for the first time at a funeral make expensive mistakes. Gradual transparency beats dramatic reveals. Pair with [mental models](#) so the next generation inherits frameworks, not just fractions.

## 5. Loops on *Paper*

Draw how distributions affect incentives across branches. [Causal loop diagrams](#) expose "fixes that fail" when short-term gifts undermine long-term stewardship.

Build the *lattice*, not the legend.

Return to the Reading hub for essays, tools, and the rest of the 100-topic map.

