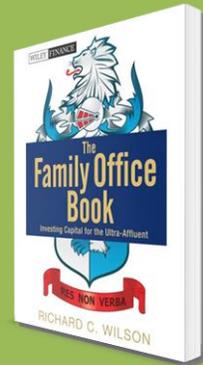




The Family Office Report

FamilyOfficesGroup.com



The Family Office Report has been downloaded over 22,000 times globally and now contains two free chapter excerpts from the bestselling book by Richard C. Wilson called: "The Family Office Book: Investing Capital for the Ultra-Affluent"

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An Introduction to the Family Office

The family office has often been misunderstood, even though the concept has been around (in a variety of forms) for hundreds of years. Still today, as the industry controls billions of dollars in assets under management, there are many intelligent, experienced finance professionals who cannot offer a complete definition of what a family office is exactly. That is one of the reasons that we at the Family Offices Group have created this Family Office Report: to educate those in the family office industry and to provide information to those who want to learn more about our industry.

This report is intended as a primer on family offices; how they operate, how they are structured, the differences between a multi-family office and a single family office, what family offices invest in, how the industry has grown and evolved, etc. and other important fundamentals of the industry.

If you already have a decent grasp of the family office concept and would like to get a deeper understanding of the industry, you'll be interested in [The Family Office Book: Investing Capital for the Ultra-Affluent](#) by Richard C. Wilson, which can be purchased by filling out the order form at the end of this report.

This book includes insights from family office experts around the world and is written by Richard C. Wilson, who has years of experience in the family office and alternative investment industries and manages the Family Offices Group, the largest family office association in the world, with over 33,000 members. If you would like to join the association or learn more about the Family Offices Group, please visit our website FamilyOfficesGroup.com. We have drawn on the experience and knowledge of the family offices we speak with on a daily basis, interviews completed for The Family Office Book, as well as our team's first-hand knowledge of the family office industry, in order to complete this report.

Today, the family office industry is expanding at an impressive pace, with new family offices opening every month and assets continuing to grow every year. The family office wealth management industry is larger and growing faster than ever before. Family offices are thriving and the ways that ultra-high net worth families shape our economy and communities is evidenced all around us by their operation of franchises, apartment buildings, operating businesses, and capital infusions. Family offices are an important source of capital for small and medium

sized businesses and investments which fuel much of the global economy, an especially important factor giving the risk of economic slowdowns all around the world. Family offices provide much-needed capital to businesses and investment funds.

At last estimate, there are more than 3,000 family offices in the U.S. with another 1,000 in Europe and even more in Asia, Latin America and other areas of the world. Almost every week, we are approached by individuals and firms looking to establish a multi-family office or launch a single family office. This is especially true in areas of the world where wealthy families and individuals previously had little-to-no access to family office wealth management firms. In places like Singapore, Hong Kong and Brazil, investment professionals are seeing the increase in wealth and wondering how to best serve those wealthy families and they are settling on a logical solution: the family office.

Family offices are also much more visible in the public's eye as of late. With high-profile celebrities, successful business professionals and other people of note turning to the family office model for their wealth management, the family office is becoming more and more well-known to even non-investment and financial professionals. Celebrities like Oprah Winfrey, business executives like Donald Trump, and entrepreneurs such as Paul Allen, all choosing to launch a family office to manage their wealth, it's no wonder we've seen such a huge increase in global family office assets under management and a higher demand for family office-like solutions around the world.

It's reasonable to assume that this demand will continue as more and more investors and wealthy families come to expect more from their wealth management advisors and want to have a more all-encompassing solution for their day-to-day needs such as tax and compliance work and portfolio management. Many financial and wealth management professionals have noticed this trend too, and chosen to step off the beaten path of typical banking solutions and chosen to launch multi-family offices and single family offices in order to better serve their clients and better align their interests with that of their clients. The more we speak with single and multi-family office executives and ultra-high-net worth clients, the more excited we are for the possibilities and opportunities that lie ahead for this burgeoning industry. Reading this Family Office Report is the first step toward understanding an industry that has long gone misunderstood and underestimated, and you will be one step ahead of those who are just now starting to see the family office industry.

What is a Family Office?

So, now that you understand how important family offices are to business, investment funds and the world at large, you may be asking, what is a family office? A family office is 360 degree financial and wealth management firm and personal CFO for the ultra-affluent, often providing investment, charitable giving, budgeting, insurance, taxation, and multi-generational guidance to an individual or family. The most direct way of understanding the purpose of a family office is to think of a very robust and comprehensive wealth management solution which looks at every financial aspect of an ultra-wealthy person's or family's life.

A Single Family Office is a full balance sheet 360 degree ultra-affluent wealth management firm and CFO solution for a single individual or family.

The SEC has recently defined single family offices as “entities established by wealthy families to manage their wealth, plan for their families’ financial future, and provide other services to family members. Single family offices generally serve families with at least \$100 million or more of investable assets. Industry observers have estimated that there are 2,500 to 3,000 single family offices managing more than \$1.2 trillion in assets.”

You may be more familiar with the multi-family office (sometimes abbreviated as MFO) which has gained a lot of attention in the wealth management world as more and more traditional wealth management firms and private banks convert into a multi-family office. A multi-family office is a full balance sheet 360 degree ultra-affluent wealth management and CFO solution for multiple individuals and families.

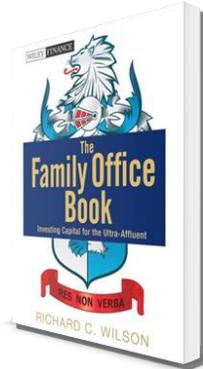
Traditional wealth management firms advise on your investments and sometimes they can help you make insurance related or budgeting related decisions. Most wealth management firms are not specialists in taxation or charitable giving, or even multi-generational wealth management. Family offices can provide all of these solutions and more under one house so that several diverse experts can speak with each other and create a cohesive plan for preserving and/or growing the wealth of the ultra-high net worth client.

In both the single and multi-family office, what is really being offered is a full balance sheet financial management solution to ultra-high net worth individuals and families. It is hard to nail down a single template for a family office as every family office is a reflection of its clients' needs and desires.

So, while one family office client might require an accountant to deal with complex financial transactions, business operations and global tax compliance; another, may simply want to supplement his or her current accounting system with advice on certain laws or issues, but otherwise has little use for a family office accounting solution. Another family office client may want to hire a family office that specializes in selecting and investing in alternative fund managers and portfolio management services; while another family office client prefers more traditional investments such as bonds, stocks and mutual funds. A multi-family office will often adapt to fit the needs of its clients or those clients it hopes to attract by specializing in certain services or offering a suite of different services that a prospective client may or may not need.

This adaptation to fit the client is part of what makes a family office so attractive to clients because they can get everything they need done through their family office, eliminating the headaches and worries in selecting various service providers and firms in order to manage the client's wealth and day-to-day needs. A family office can provide its client(s) with a multitude of services and often cut down on inefficiencies among several services. For instance, a family office that invests its clients' money and takes care of their taxes will already be conscious of tax efficiencies when considering various investments and will not have to coordinate with an outside accountant to understand what the impact on the client's taxes will be if the investment is made. This is just one example of how family offices can make life easier for their clients while providing a range of important services.

Two Free Family Office Book Chapters



We have included two complimentary chapters out of The Family Office Book: Investing Capital for the Ultra-Affluent in this Family Office Report. The Family Office Book includes dozens of interviews with single and multi-family office executives as well as best practices, expert insights and research on the family office industry.

More on the book: [http://www.amazon.com/The-Family-Office-Book-Ultra-](http://www.amazon.com/The-Family-Office-Book-Ultra-Affluent/dp/1118185366/ref=sr_1_1?ie=UTF8&qid=1337813634&sr=8-1)

[Affluent/dp/1118185366/ref=sr_1_1?ie=UTF8&qid=1337813634&sr=8-1](http://www.amazon.com/The-Family-Office-Book-Ultra-Affluent/dp/1118185366/ref=sr_1_1?ie=UTF8&qid=1337813634&sr=8-1)

CHAPTER 1

The Family Office Industry

We often tell our ultra-wealthy clients that they have been in the get-rich business and we are in the stay-rich business.

—Paul Tramontano (*CEO of Constellation Wealth Advisors, a top 50 multi-family office who we recently interviewed*)

Chapter Preview: The family office industry can be challenging to learn about. This chapter will provide you with a high-level, 10,000-foot view of the family office industry. It will cover the basics of how the industry operates and serve as a foundation upon which the rest of the book will build upon.

The family office industry is secretive. While speaking at the Latin American Family Office Summit recently, I was reminded by Thomas Handler (interviewed later in this book) of an adage I hear used often in the industry: “A submerged whale does not get harpooned.” This quote sums up why so many family offices are so secretive and difficult to learn more about. Many family offices and ultra-high net worth individuals see that media attention and press often attracts sales professionals, possibly compliance headaches, and others looking only to harvest ideas or competitive angles on the family’s operating business.

The goal of this book and chapter is to show you exactly how family offices operate, provide their services, and invest their capital.

WHAT IS A FAMILY OFFICE?

See the video “What Is a Family Office?” at www.FamilyOfficesGroup.com/Video3.

A family office is a 360-degree financial management firm and personal chief financial officer for the ultra-affluent, often providing investment, charitable giving, budgeting, insurance, taxation, and multigenerational guidance to an individual or family. The most direct way of understanding the purpose of a family office is to think of a very robust and comprehensive wealth management solution that looks at every financial aspect of an ultrawealthy person’s or family’s life.

Single Family Office Definition: A single family office is a full-balance sheet 360-degree ultra-affluent wealth management and CFO solution for a single individual or family.

The Security and Exchange Commission (SEC) recently defined single family offices as “entities established by wealthy families to manage their wealth, plan for their families’ financial future, and provide other services to family members. Single family offices generally serve families with at least \$100 million or more of investable assets. Industry observers have estimated that there are 2,500 to 3,000 single family offices managing more than \$1.2 trillion in assets.”

John Gryzmala, a single family office executive we recently interviewed, states: “The definition of the single family office for me is: an entity or an individual that helps relieve the family members of certain, if not all, mundane tasks that they would prefer not dealing with, be it investments, be it household staff, be it insurance, be it handling legal issues, trusts and estates issues, and tax planning. That’s it. So however you want to structure it to handle and help you, the family member, with those issues is my definition of the single family office.”

Multi-Family Office Definition: A multi-family office is a full-balance sheet, 360-degree ultra-affluent wealth management and CFO solution for multiple individuals and families.

Multi-family offices can serve anywhere from two clients to 500-plus ultra-wealthy individuals and families. In both the single family and multifamily office, what is really being offered is a full balance sheet financial management solution to ultra-high net worth individuals. The implementation of the family office model is diverse. In both single and multi-family offices, a very narrow set of services could be offered so that one family office has just one or two functions, while others can provide a fully comprehensive solution. Every family’s model is unique as a result of its budget, needs, and wants also being unique.

It is important to note that many hybrid models are very much closed-door single family offices, yet they serve just two to three families and never accept outside money. This is an exception to the rule, but important to fully understanding how the industry operates.

Traditional wealth management firms advise on your investments and sometimes help you make insurance-related or budget-related decisions. Most wealth management firms are not specialists in taxation, charitable giving, or even in multigenerational wealth management. Family offices can provide those solutions and more with a single team, allowing several diverse experts to speak with one another in order to create a cohesive plan for preserving and/or growing the wealth of the ultra-high net worth client. There is a constant debate over the definition of a “true” family office.

Some professionals believe single family offices are the only authentic family offices, and multi-family offices are simply wealth management firms in disguise. Others believe that you must have \$250 million to launch a single family office, though there are many successful single family offices with as little as \$50 million. I believe that a family office is defined by how it operates and what solution it provides to the family, not by its asset size. A hedge fund is a hedge fund and a venture capital firm is a venture capital firm, based on the structure of their investments, fees, and purpose, not by their asset size; the same goes for family offices.

This will be covered in more detail later in this book, but it is important to note that some multi-family offices start out as single family offices and gradually add more clients. The recent rising costs of talent and compliance has driven up interest in converting single family offices into multi-family offices.

THE FAMILY OFFICE UNIVERSE

It is helpful to look at the family office industry and think about how closely aligned different parties are to the central needs of ultra-wealthy clients. The diagram in Figure 1.1 depicts how closely aligned the goals of various parties are to the needs and goals of ultra-wealthy clients.

You can see that there is a symmetrical ring around the ultra-wealthy. That first ring represents single family offices that focus solely on the needs of an ultra-wealthy individual or single family. The second ring represents multi-family offices that are almost completely aligned with the ultra-wealthy client; at the same time they need to please several or even hundreds of other ultra-wealthy clients as well, so they are not 100 percent aligned with the goals of a single ultra-wealthy client, but close.

The third and fourth rings represent service providers and regulators. The service provider grouping includes consultants, placement agents, traditional wealth management firms, and general accountants or tax attorneys.

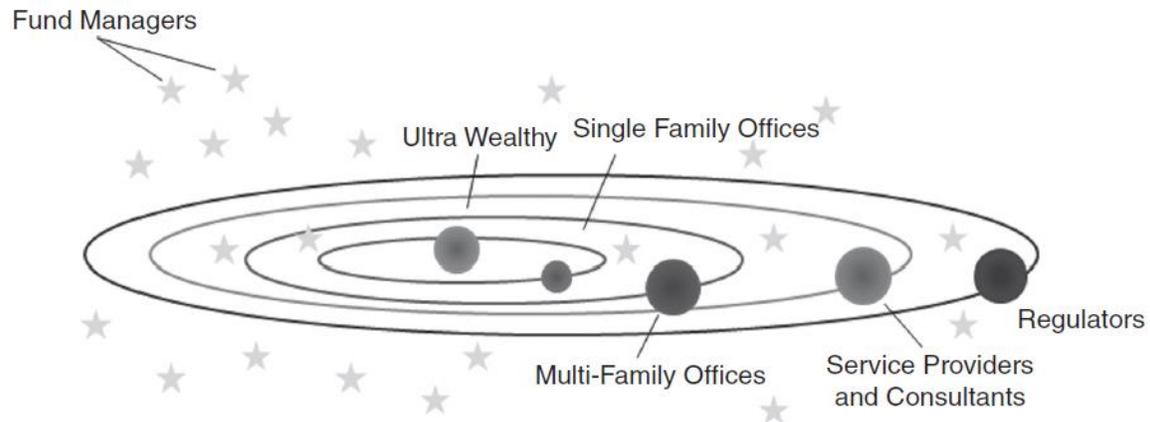


FIGURE 1.1 The Family Office Universe

While a tax attorney is surely more focused on ultra-wealthy client needs than is a regulator (as depicted later in this chapter), all of these groups are, for the most part, not focused on and built around the needs of ultra-wealthy clients or family offices.

The stars within the Family Office Universe diagram represent the tens of thousands of fund managers and investment professionals who are constantly trying to seek capital from family offices. They are sometimes connected to multi-family offices or service providers, or they are disconnected from the industry to the extent that they don't really understand what a family office is or how most of the ultra-wealthy are having their capital managed.

THE HISTORY OF FAMILY OFFICES

Single family offices have existed in different forms for thousands of years. In the article "Family Offices in Europe and the United States" by Dr. Steen Ehlern, the managing director of the Ferguson Partners Family Office, noted that the merchants of ancient Japan and the Shang dynasty in China (1600 b.c.) both used multigenerational wealth management strategies.

There are also several accounts of “trusts” being set up for the first time during the Crusades (a.d. 1100). Later, many wealthy banking families of Europe, including the Medicis Bardi and Rothschilds, were said to have used a family office-like structure. These organizations often offered their services to other wealthy families, and in the late 1800s and 1900s they started to look more like modern day multi-family office operations. These operations grew out of single family offices that were asked to serve connected business families and out of private banks and early trust company establishments that were looking to serve more affluent clientele.

Even now the family office industry is relatively obscure and not very well understood. While everyone in the financial industry has a rough idea of what a hedge fund is (or at least knows that they exist), many finance professionals don't know what a family office is or what it does. When it comes to the general public, knowledge of a family office or its operations is close to nonexistent.

Looking at the growth of the hedge fund industry, I believe the model really started to take off between 1970 and 2000. The family office industry is on a parallel growth track, and our market research and interviews have uncovered that we are just 10 years into a 30-year surge of growth in the family office space. For example, I recently spoke on stage at an event with a wealth management professional who has 17 years of experience; while he was very successful and bright and did know what a hedge fund was, he did not know what a family office was. If someone who works in wealth management is not aware of the family office industry, many of the ultra-wealthy are not either. There are more than 10,000 family offices in the industry; I predict that the industry will double in size by 2020.

The wealthy will continue to expand their wealth, and family offices will continue to grow in numbers. That growth is accompanied by an increasing need and desire among the wealthy for wealth management services. Around the globe, more and more wealthy families are looking for something similar to the family offices seen in the United States and Western Europe. I was fortunate to recently record an interview with one of the founding fathers of the modern-day family office industry, Charles Grace. Charles is a director at the Threshold Group. He is known for founding Ashbridge Investment Management and for building the first open-architecture platform for family office investment management. Charles not only knows the history of the family office industry but also has helped shape it as well.

Here is a short excerpt from that interview:

Richard Wilson: Charles, you have been in the family office industry for over 50 years, which is longer than anybody else we are interviewing for this book and our monthly newsletter. So how have you seen the industry evolve?

Charles Grace: It used to be that family offices were based in the financial office of the operating company. There was perhaps a dedicated accountant in there that took care of the operating company. So that was the beginning, and then some of the wealthier families set up distinct offices that were not necessarily housed in the operating company, but which were a part of it, and they provided services to the family. Not too long ago, maybe, say, I don't know, 20 years ago, some of these larger family offices started to provide services to other families and the founding family. And a couple of names that come to mind are us, the Rockefellers, and there were a couple of others that built a multi-family office business on a family office, and so that was the first level of development.

Next came the trust companies. The trust companies were always in this business too, not as family offices, but as a part of the trust work—trust and investment work—and they were always there as competitors in this business and still are. Then along came the brokers; while the brokers were very transaction-oriented in the early days, they found out that they wanted to provide more advice than transactions because transactions were very cyclical. They became involved in the family office's business and they started selling the family office business model. They provide other services, too, primarily outsourced I think, but some of them are housed in-house. I mean I think Goldman Sachs and some of those guys provide other services to their wealthy clients rather than just a dozen products. So that is a third level of development.

Now then out of that came people that spun out of the investment banks, the trust companies, and the family offices and started their own multi-family offices. So you can see there is sort of a tree growing here and you see that the branches have now gone out to sort of third, fourth generation, where you have people spinning out of the family offices, the brokerage houses, the banks in order to start multi-family offices.

Richard Wilson: I think that's a great, brief overview of how the industry has evolved. It was back in the early 1980s that your firm was one of the pioneering

family offices that came up with an open-architecture investing platform. Can you talk about that in a little bit more detail since you became well known for offering that early on in the family office space?

Charles Grace: Well that's another revolution, Richard. We started out by—this was in the old days 25 years ago whereby hedge funds were less developed than they are now. Private equity was there, but less developed. So the investment question was sort of a simple one: a set of asset allocation and manager selection. It was based upon rather simple strategies, I mean various types of stocks—big and small stocks, international stocks—weren't regularly considered until later on in the industry's development. Hedge funds came along, I don't know, not at the very beginning. The investment program developed from, it used to be an asset allocation model, just an efficient frontier which was by definition backward looking.

See the video "History of Family Offices," at www.FamilyOfficesGroup.com/Video4.

Then it grew into an emphasis on manager selection and identifying "the best managers," who generally reverted to the mean, but nonetheless were very good, and so there was lot of work done on the organization and the people themselves, investment managers. Then, [it grew] to a form of a tactical asset allocation rather than just strategic. Strategic asset allocation, manager selection, and now it's moved into much more emphasis on tactical asset allocation across a very, very broad spectrum of investment strategies. So there has been a lot of change in the way investment advice has been offered and utilized by the family offices.

Stay tuned for more of our interview with Charles Grace in Part Two of this book.

STATE OF THE FAMILY OFFICE INDUSTRY

See the video "State of the Family Office Industry," at www.FamilyOfficesGroup.com/Video5.

The family office wealth management industry is larger and faster-growing than ever before. Family offices are thriving. Ultra-high net worth families shape our economy and communities; that can be seen all around us through their operation of franchises, apartment buildings, operating businesses, and capital infusions. Family

offices are an important source of capital for small and medium-sized businesses and investments, which fuel much of the global economy.

Family offices are often global in their presence and investing. To date, I have spoken in more than 20 countries around the world, and every region shows evidence of a thriving industry that is only just beginning to become more widely understood and defined. Throughout this book, you will have the chance to learn more about these industry hot spots, recent trends, operations, investments, and the future of both single and multi-family offices.

WHO USES A SINGLE OR MULTI-FAMILY OFFICE?

While some family office clients inherit their wealth and others earn their wealth as an athlete or movie star, a high percentage of family office clients have recently taken a company public or sold a business. As a result, their net worth is now \$20 million, \$300 million, or more, assets they did not have to manage in the past. Family offices try to help manage and preserve that wealth, and the goal of this book is to explore how they attempt to do that on a consistent basis.

Examples of well-known individuals who use family offices are Michael Jordan, Paul Allen, Oprah Winfrey, Bill Gates, and Donald Trump. Almost everyone who runs a single family office has between \$100 million and \$1 billion in assets, with a smaller percentage having over \$1 billion and an even smaller percentage having under \$100 million under management. Most multi-family offices require \$20 million to \$30 million in investable assets to join their platform, but due to economic conditions and hunger for business growth, some family offices are allowing \$5 million and \$10 million clients in the door. At the other end of the spectrum, some high-end family offices, including several we interviewed for this book, require \$100 million to \$250 million in investable assets to participate in their multi-family office. For the purposes of this book, we will be referring to ultra-affluent clients as individuals or families with more than \$20 million in investable assets.

See the video “Ultra-Affluent Clients,” at www.FamilyOfficesGroup.com/Video6.

While we don't have room in this book to detail the line item costs or requirements of running a family office, I want to dispel one myth: Many industry studies will tell you that you need \$100 million to \$250 million or more to set up

your own single family office solution. Experts will tell you that running a family office will cost at least \$1 million a year. I don't believe that is true. Due to technology and the ability to leverage taxation and risk management experts and consultants, I have found some successful single family offices with "only" \$30 million to \$50 million in assets.

I asked one successful single family office executive, Louis Hanna of Corigin Holdings, when it makes sense to consider forming a single family office instead of working with a multi-family office. "I think it's kind of on a case-by-case basis, but arguably and it's a large subset, but I would say beginning at 50 approaching 100 million, again depending upon the situation. And also obviously it is not based upon just asset level but also investment management experience, level of financial sophistication, and goals of family members." The amount of assets needed to set up a single family office depends on the type of risk the family has to manage, what they invest in, what global taxation issues they face, and what goals they have for the family and family office, but, as Louis notes, other factors besides assets should be considered before forming a single family office.

I had the opportunity to interview Angelo Robles, head of the Family Office Association, an exclusive association for single family offices. You can hear exactly how he responded to my question on this topic during the recorded audio interview.

Richard Wilson: How much in assets do you think that someone needs to have before it makes sense to form a single family office?

Angelo Robles: I often think those numbers are thrown about, and sometimes I am guilty of that as well. So, why not \$67.2 million, how come \$50 million or a \$100 million? My views on this issue have also changed in the three years since I launched FOA. A part of the reason for my change was about a year ago, I had a chance to come across a significant wealth owner who noted to me, "You know, Angelo, I'm liquid in the ballpark of about \$45 million." And I said, "\$45 million, I mean congratulations, you are successful. But I think you may be a little bit small for creating your own entity, your single family office. And it's expensive relative to your assets."

And he leans forward and says, "Let's get a couple of things straight, Angelo. First of all, don't tell me what's expensive. If I have, whatever, \$45 million, and I want to create for a couple of thousand dollars a private operating company and hire

someone who may be paid a couple of hundred thousand dollars, I have got \$45 million. I think I have the resources to do that. And by doing that, I am taking control of my assets and my money. I have talent; it may be one person, but talent that's going to be exclusive for me. Why do I have to have a billion dollars? Isn't that a little different than a traditional definition but still a definition of a single family office?" And that really caused me to rethink.

Now, I think, to be optimized to have a multiple of talent inside the single family office, sure, it's going to be superior to have \$200 million, if not even more. But I have come around to the gentleman's point of view that there really is no clear-cut definition on how much assets someone has to have to find it worthwhile because a lot of people that want to create a single family office, they are entrepreneurial in nature; they are type A personalities; they are successful on some level; and they believe in the opportunity for control, customization, and privacy.

And if they are able to build the governance and the philosophy around that and hire even one person to help them in their initiative, doesn't that qualify to be a single family office? Just because they are not worth \$300 million, \$400 million, or \$500 million yet, doesn't mean that they don't have the opportunity to build something that we would broadly still describe as a single family office.

There is probably a sweet spot or a medium, \$500 million to \$1 billion, and we have some families that are Forbes 100, a couple of Forbes 10. Those families have tens of billions of dollars. But we also have some that are "only"—and again I use that word loosely—\$50 million or \$100 million or \$150 million. So I think the opportunity here is to not define a single family office by too restrictive of a definition. If someone sees value in the benefit of control, privacy, and customization, then I don't think we could contain their desire to create one or maintain one just because we perceive they don't have the classic \$100 million in assets.

WHY FAMILY OFFICES?

There are many reasons why the ultra-high-net-worth are forming and joining family offices faster than ever before. We will explore the four drivers of growth in the industry within Chapter 10, "The Future of the Family Office Industry," because you may be wondering, "What are the core motivations of these ultra-wealthy individuals looking to start or join a family office?"

Once you begin dealing with \$10 million, \$100 million, or \$500 million or more in assets, many issues that may sound small become very important to manage closely. These issues include global taxation, risk management, and even things like cash management. A section of this book in Chapter 6 will focus exclusively on cash management best practices; well-managed cash can often pay for most (if not all) of the expenses of using a family office.

MORE MONEY, MORE PROBLEMS

It really is true: The more money you have, the more problems and challenges you face, no matter how “high quality” the problem may be seen by some. A good analogy for understanding how small details become more important as wealth grows is the managing of currency risk exposure for Procter & Gamble versus managing that same risk within a \$1 million-a-year small business with global clients. Surely the small business does not have a fulltime currency risk expert on its team, while Procter & Gamble most likely employs several full-time professionals who do nothing but hedge global currency risks. The same goes for the importance of tax matters for someone with \$80 million to invest versus \$800,000.

Here is a list of the top benefits of working with a family office instead of a single CPA or traditional wealth management professional:

- ☑ Central financial management center for the wealth so more holistic decision making can be made.
- ☑ Higher chance of an efficient and successful transfer of family assets, heritage, values, and relationships.
- ☑ Access to institutional quality talent, fund managers, and resources that would be difficult or impossible to obtain as an individual.
- ☑ Reduced costs in achieving a full balance sheet financial management and investment solution.

FAMILY OFFICE INDUSTRY CONFERENCES

Around the world, there is a growing awareness and interest in family office wealth management. Fund managers want to raise capital from family offices, wealth management firms want to convert into family offices, and ultra-wealthy individuals want to learn more about the industry before starting their own single family office or joining a family office. One way to reach family offices is to attend a conference. Like other types of conferences, some are more valuable than others.

Some family office conferences are invitation only, some are free to attend if you operate a family office, and most of them are held annually.

These conferences are most useful for family offices that are looking to connect with fund managers, service providers, and fellow family offices to explore partnerships and trends. While it may add to your credibility in the industry to speak at such an event, you will most likely not directly get any new clients for your family office business by attending such a conference. I attend family office conferences every quarter and I've spoken at more than 50 conferences now. Please do come up and introduce yourself if you see me at one of these events; it would be great to meet you in person.

CONCLUSION

Family offices have been around for a long time in different forms, but for only a very short amount of time in their current state. The industry is quickly evolving and provides a critical solution to the ultra-affluent who are willing to pay for more holistic management of their finances. In the following chapter, we will expand on the actual services that many family offices are providing.

If you would like to order your copy of The Family Office Book: Investing Capital for the Ultra-Affluent (Wiley Finance) simply fill out the order form at the end of this book or visit the following link:

http://www.amazon.com/The-Family-Office-Book-Ultra-Affluent/dp/1118185366/ref=sr_1_1?ie=UTF8&qid=1337813634&sr=8-1

CHAPTER 2

Family Office Services

“The secret of success lies not in doing your own work, but in recognizing the right man to do it.”

—Andrew Carnegie (second-richest man to have ever lived)

Chapter Preview: This chapter will list and review the services that family offices are known for providing to their affluent clients. Every family office is different, but this chapter should help ensure that you are aware of the breadth of services that family offices are capable of providing.

As described in Chapter 1, family offices offer a 360-degree full-balance sheet wealth management solution to ultra-wealthy clients and families. This entire book could be written solely on describing the types of services that family offices often offer, but our focus is on how they deploy capital, so this chapter will just briefly review the suite of services often offered at family offices.

ULTRA-AFFLUENT CLIENTS HAVE DIFFERENT NEEDS

The ultra-affluent demand highly specialized financial services. While there are no set rules on what services a family office can or cannot offer, as was shown in the first chapter, there are common investment and finance-related services that most of them provide for their clients.

Many of these advanced services are not available within a private banking or traditional wealth-management setting, because they are affordable and for the most part, necessary only for the most affluent clientele.

Family offices also offer superior expertise on constructing or selecting alternative investment portfolios and products. Many have invested heavily in systems, reporting, and institutional consultants to help select the most appropriate alternative investment managers and products for their high net worth clients. Almost everything done within a family office is done with long-term planning in mind. While recently speaking in Vaduz, Liechtenstein, I heard someone describe

the royal family office there as managing portfolios with a multigenerational time horizon in mind, and I think that is a good way to describe the focus of many family offices.

While writing this chapter of the book, our team completed an interview with Tal Speilman of Shekal Group, one of the leading multi-family offices in Israel. In the following quote, Tal summarizes his long-term dedication and approach to the client, even to go so far as to eventually know the needs of the client better than the client does: “I think that if you really want to give your clients the best product for him and not for another one, only for him, I think you should know him very intimately. I think you should know your clients from all aspects, and this is the only way that I think for the long run, first of all to have the relationship between you and the client, and secondly to improve for your client that you know his real needs.

Sometimes you will be the only one that will know his needs, and when I said the only one I could say that it’s the only one including him, because sometimes they don’t really have the time or the ability to know exactly what they need, and because they need somebody from the outside to look and see what they really need, and I’m talking for the long run aspect. And if you will ask an advisor as I mentioned you will have the trust for many, many years with the client.”

We also recently had the chance to interview Todd Spearin of Waxwing Advisors, who formerly worked inside of a 100-plus client multi-family as a managing director of wealth transfer. Here is what he had to say about the focus of service in the family office that he worked for: “What I really valued about the true family office environment is that you really are stewards for the family. Every employee at the firm I worked at had a deep sense of ethics and service and a real strong sense of putting other people’s needs before their own. I really cherish that environment where the fiduciary level of responsibility for the clients’ affairs are placed first, all daily activities are focused clearly on the client first. There was no pressure from an organization, from superiors, from stockholder to put the profit before the client’s needs. And so it’s a real service organization serving the client’s needs, and that is a real refreshing environment for me to be in after some of the past experiences that I have had.”

FAMILY OFFICE SERVICES

To understand why the family office industry exists and is thriving, it is important to understand what types of services are provided to clients of family offices. Table 2.1 presents the most common of family office services that I have come across while working with family office clients, interviewing family offices, and being advised by family offices.

ADDITIONAL BENEFITS AND LIFE MANAGEMENT SERVICES AS A COMPETITIVE ADVANTAGE

While many single family offices structure services to provide many life management services on top of financial management solutions, this is not always the case with multi-family offices. Many times when multi-family offices offer these types of additional services, they are at far reduced prices or for free. As a line item they lose the firm money but are offered to create a marketplace advantage over other offices. Benefits that are nonfinancial and could be used for strategic advantage include life coaching, golf or private club memberships, or use of vacation properties, luxury vehicles, or yachts.

As competition among family offices grows, it is expected that these types of additional benefits of becoming part of a multi-family office will steadily increase in popularity. While some family offices are adding new services to be more competitive, others are “sticking to their knitting” so they don’t start reaching beyond their core competencies.

The following is a short excerpt from our interview with family office executive Brian Hughes from the Threshold Group, a top multi-family office. Here he shares a quick best practice for family offices that are looking to improve their service delivery.

“I think based on my experience that family offices have to really know what they are good at and be able to provide those services, whether it’s pure investment advisory, pure family office services or whether it’s a combination of investment advisory and family office services. Knowing what you are good at, having the scale and efficiencies within the organization to deliver those services, and then doing it in a way that’s profitable for the firm is key to a successful family office. Certainly one of the biggest challenges in our industry is just making sure that you are sticking to your

TABLE 2.1 Family Office Services Breakdown

Definition and Explanation

- Portfolio Management & Investments
 - Portfolio and investment management services are core to what a family office typically offers clients; it often includes selection of fund managers, implementing the investment plan and policy of clients, and managing investment risks and cash requirements.
- Tax Advisory
 - Ultra-wealthy individuals have many types of assets, global assets, and enough income and potential tax liability that a small improvement in their tax efficiency could quickly help pay for the extra fees involved in working with a family office.
- Reporting & Record Keeping
 - This service involves the organization of financial paperwork including compliance documents, investment documentation, or insurance details. This helps simplify the lives of the ultra-wealthy, who may hold over a dozen insurance policies alone. Reporting and record keeping is being offered more as competition within the family office industry increases.
- Philanthropic Management
 - Charitable giving and philanthropic management can involve the formation of foundations, help with maintaining or running a foundation, or advisory and assistance with making effective charitable donations.
- Multigenerational Wealth Management
 - Ultra-wealthy need assistance in setting up trusts and managing how they will pass on wealth to their children and grandchildren in a way that is responsible, tax efficient, and appropriate for the type of culture the family is trying to foster long-term.
- Compliance & Regulatory Assistance
 - State and country regulations can affect the investments, assets, and business operations of the ultra-wealthy. Family offices can help ensure the consistent compliance with the laws that govern the activities of clients.

- Risk Management & Insurance
 - Separate from investment management and portfolio management, some family offices recruit top risk management experts and insurance specialists to their team. Sometimes this type of professional is brought in as a service provider, but the larger the family office is in terms of assets the more likely it is to have such a professional in-house.
- Life Management & Budgeting
 - The lives of the ultra-wealthy are often chaotic; many run operational businesses on top of taking care of a family. The ultra-wealthy typically hold many assets, which take up even more of their time. Family offices offer life management and budgeting services to help simplify the lives of the ultra-wealthy and ensure that the monthly budget is in line with their long-term wealth preservation goals.
- Fleet Management & Shared Asset Perks
 - Many family offices own real estate, luxury cars, partial shares of private jets, private shares of yachts, and other assets that clients of a family office can access. A single family office may help maintain or purchase such an asset directly for a single family, while a multi-family office leverages its large client base for use by those clients who qualify based on assets or through paying extra dues each month.
- Training & Education
 - Everyone needs continuing education to keep up with changing economic conditions, financial tools, and global investment opportunities. Many times, family offices can help educate younger family members on the basics of wealth management and financial literacy.

SINGLE VERSUS MULTI-FAMILY OFFICE SERVICES

The most important thing to remember about comparing single and multifamily office services is that single family offices are built around the needs and goals of a single family. Everything is catered directly to those needs. In a multi-family office, there will be some chances for greater efficiency, in theory, but less of a 100 percent focus on serving the goals of any one family. That is not to say that multi-family office clients do not receive custom solutions; they do, but they do not

have the full attention of a whole office. Many times, though, this results in multi-family offices' offering some perks and miscellaneous services that would just not be feasible unless the costs were spread out among many families.

While multi-family offices can bring to the table lessons learned from working with multiple clients, a single family office will, over time, become more and more specialized in managing the types of investments and services that one family needs. Single family offices, by their nature, provide more privacy and confidentiality; for some ultra-wealthy individuals who are consistently in the public eye, this may be an important point to consider.

Often times, hedge fund managers and finance professionals ask me why they can't set up a family office for themselves with just \$1 million or \$2 million under management. The short answer is that you can; nothing is stopping you from doing this, though the costs are high. If you truly want to hire professionals to manage your wealth full-time, you will want to make sure they know what they are doing; that talent costs money. If you are not careful, you will quickly spend your \$1 million just setting up your family office.

The solution for most with less than \$20 million in assets under management is to join a multi-family office that accepts smaller clients, join a wealth management firm that is trying to climb up to family office levels of service, or form your own network of a CPA, wealth manager, life insurance professional, and so on and be a manager of sorts of your own virtual family office. You can attempt to run your virtual family office, though most highly successful professionals already have more than a full-time job's worth of responsibilities.

DIFFERENCES IN GLOBAL FAMILY OFFICE SERVICE OFFERINGS

Family offices offer different types of services in different regions of the world. The family office model is more developed and mature in the United States and Western Europe and is still fairly rare in countries in Africa, some countries in Latin America, and some areas in Asia. In many non-Western countries, family offices are simply a more sophisticated wealth management firm that has access to alternative investments and trust services.

These offices normally do not offer services in areas such as insurance and risk management, budgeting, life planning, charitable giving, or tax compliance.

Family office services also differ based on whether an individual or wealthy family is a first-generation wealth creator or a second-, third-, or fourth-generation wealth inheritor. Typically, the closer individuals are tied to wealth creation instead of inheritance, the more of an appetite they have for risk to further grow their wealth instead of strictly preserving it. In other words, the entrepreneurs responsible for creating the great amount of wealth in the first place often make what looks like risky investment decisions when compared to those who inherit wealth.

An Australian family office I just interviewed for this book serves first generation ultra-high net worth individuals who are often still operating a business. This means that they are very busy, have operational business risk exposures, have very little free time, and may be involved in merger and acquisition activity, and often are in great need of more communication between their family office accountant and their business accountant. Compare this to a family office that services mostly third- and fourth-generation wealth inheritors of \$100 million to \$1 billion. Families grow over time, so after four generations, just as a function of statistics, most families are going to be made up of mostly non significant wealth creators and entrepreneurs who do not find great success. This means if they lose the money, it is gone forever; for these offices and families, protecting the wealth is their number one objective.

During my interviews with family offices, I also learned a number of other things about global family office services deliver, including:

- ☒ Typically, Canadians are slightly more conservative in their investing than Americans and Europeans.

- ☒ Many Asian family office clients have a higher tolerance for volatility and risk in exchange for growth.

- ☒ Related to Asia, I found by speaking at conferences in the region that Hong Kong has been the location of choice in Asia for many family offices and that Singapore is now growing at a faster rate due to its business-friendly regulations and tax regime.

- ☒ I also learned that in places such as Israel, Indonesia, and Brazil the competition and business model is still young; more education is needed to identify and work with new clients in those marketplaces.

- ☒ In Australia and many other countries, there are typically more first-generational wealth individuals than third or fourth generation, and that changes the appetite for risk and expectations for family office services.

☐ In many locations around the world, the trend of the ultra-wealthy using family offices is just starting to catch on. The global trends affecting where family offices are based, and why they are based there, directly affects what types of services they provide.

If you want to learn more about global family office trends, our team at the Family Offices Group has created more than 30 regional profiles on the family office industry, one for each major family office hub that we have connected with through the operation of our association. To get free access to these regional profiles, which include Monaco, Singapore, Argentina, Lichtenstein, Switzerland, and many other regions, please visit www.FamilyOfficesGroup.com/2008/07/family-office-regional-profiles.

CONCLUSION

The goal of almost all family offices is to first protect the capital of the client and then provide necessary or requested ancillary services that help the ultra-wealthy individuals more effectively manage their wealth, investments, and sometimes their life. The main difference to remember between single and multi-family offices is that single family offices are customized solutions for a single individual or family, and multi-family offices are set up as platform solutions that aim to customize their solutions, but really help leverage centralized resources across many ultra-affluent clients. The next chapter, on family office operations, will help you further understand how these services are typically delivered by top family offices.

Where to Go from Here

Now that you've read through our free Family Office Report and watched some of the free videos that we've shared here, you're ready to move on other resources, networking opportunities and other ways to stay involved and educated in the family office industry. Here are just a few of the resources we offer:

Join the Family Offices Group

The Family Offices Group is a 68,000 member strong association for single and multi-family office professionals.

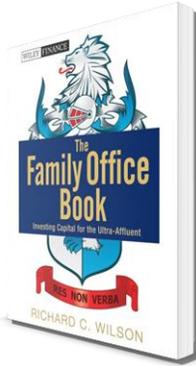
The Family Offices Group is an established professional organization created to connect single and multi-family office professionals for networking, resource referral, career advice, and eventually national/international strategic partnerships.

If you are interested in joining 68,000 others as a member of the Family Offices Group please first make sure that you are a member of LinkedIn.com and are logged in. Once logged in please follow this link to join the Family Offices Group: <http://www.linkedin.com/groups?about=&gid=46192>

Visit Our Website

If you're interested in reading literally hundreds of free articles and watching dozens of videos on family offices, then you should visit FamilyOfficesGroup.com. This website is built to provide information, data, videos, articles, networking events, and other resources for family office professionals that you won't find anywhere else on the web. To visit this site simple [click this link](http://FamilyOfficesGroup.com/) or visit this web page: <http://FamilyOfficesGroup.com/>

Order The Family Office Book!



If you enjoyed the content within this report you should grab a copy of “The Family Office Book: Investing Capital for the Ultra Affluent.” (ISBN# 978-1118185360)

This book is 330 pages long, contains detailed interviews with 36 top single and multi-family office executives and is the most comprehensive book available on the topic of family offices and how their invest their capital.

The book costs \$32 on Amazon.com when printed, \$27 when purchased for the Kindle, and \$32 when purchased through iTunes. Here is a direct link to the book on Amazon: <http://www.Amazon.com/The-Family-Office-Book-Ultra-Affluent/dp/1118185366/>

If you ever would like to refer someone to the book an easy website to do so through is <http://FamilyOfficeBook.com>

Thank you for your support.

Thank You!

Thank you for reading this report and we hope you've enjoyed this free family office resource. If you'd like to give us feedback or learn how our firm can help you, feel free to contact us:

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Please do keep in touch,



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Founder and CEO

Family Offices Group | Richard Wilson Capital Partners, LLC

About Richard C. Wilson and the Family Offices Group

The Family Offices Group is:

- The #1 largest association in the family office wealth management industry with 68,000+ current members ([Join](#))
- The #1 most popular web property on the internet which focuses exclusively on the family office industry
- Our Family Office Report has been downloaded over 21,000 times. Richard now also has a bestselling book on family offices which can be purchased [here](#).

Our team of professionals has over 25 years of capital raising, marketing, and database construction building experience. We are all based in Portland, Oregon USA and Sao Paulo, Brazil. To learn about the rest of our team, visit:

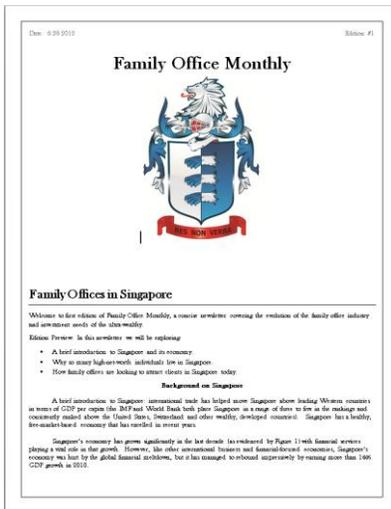
<http://FamilyOfficesGroup.com/About-Us>

Richard C. Wilson: Managing Director (USA / Brazil)

Richard C. Wilson founded the Family Offices Group association and is the President of Richard Wilson Capital Partners, LLC. Richard is a global speaker, bestselling author of both [The Family Office Book: Investing Capital for the Ultra-Affluent](#) and [The Hedge Fund Book: A Training Manual for Professionals and Capital-Raising Executives](#). He has been working with family offices and capital raising for over 7 years and has provided consulting advice and services to over 1,600 firms during that time.

Richard has spoken at over 50 top industry conferences and events in the family office and alternative investment industries. This year alone he has chaired a full day 300 person conference in Zurich and acted as Opening Day Chairman for GAIM International the family office industry's largest and oldest conference in Monaco. Richard is currently writing a book on family office capital deployment best practices for Wiley to be released in the winter of 2011, and his team is constantly expanded their industry leading website, FamilyOfficesGroup.com.

Family Office Monthly Newsletter



We offer a concise monthly newsletter on the family office industry. Recently, our team conducted a survey of several thousand members of our family office association and found that a monthly family office newsletter was something almost everyone wanted access to.

Our family office, ultra-wealthy contacts, and members in our association have a strong desire to stay abreast of new trends and resources in the family office industry and constantly be improving their family office to better serve their clients. To meet this

need, we have developed the Family Office Monthly Newsletter.

This newsletter provides insights into the evolving world of family offices, providing a concise look at one aspect of the industry each month. In addition to using our team's knowledge of family offices and our large industry association, we recently recorded phone interviews of 36 audio experts with family office veterans. Many of these experts are CEOs and chief investment officers of multi-billion-dollar single family offices and top-30 multi-family offices.

This monthly newsletter series allows you to access the direct advice of our team as well as these industry veterans that we interviewed who have more than 756 years of combined experience.

Sign Up for the Newsletter: If you are interested in receiving this monthly print newsletter, please complete the form found on this page of our web site: www.FamilyOfficesGroup.com/Newsletter For the enrollment form, call us at (212) 729-5067 or e-mail us at Newsletter@FamilyOffices.com.

Newsletter URL: www.FamilyOfficesGroup.com/Newsletter

Qualified Family Office Training



The Family Offices Group offers an in-depth training and certification program for family offices and professionals who work in the industry at www.FamilyOfficesGroup.com/Training. This program is called the Qualified Family Office Professional (QFOP) program.

The family office industry is a knowledge business, and those with training and experience in the space are worth \$250,000 to \$1 million-plus a year because of their knowledge and real-world experience. As in many areas of our knowledge-based economy, practical, functional know-how is an asset that can be consistently built or that can grow stale and decay.

You can't speed up the experience of those on your team, but you can speed up their learning curve on critical and functional areas of family office knowledge. The fact is, the more consistently and aggressively you grow your team's knowledge assets, the better you can serve your family office clients.

Some of you already know that our team runs several financial and management training programs on hedge funds, private equity, investment banking, financial analysis, and several other areas. In total, these programs have attracted well over 3,000 participants from more than 30 countries around the globe. By creating these programs, we have produced over 1,250 video modules and more than 250 expert audio interviews. The result is a massive wealth of multimedia content that is directly relevant to the training of family office employees.

Time after time, during my conversations with family offices, the need for more central industry training comes up. This is why we created the Qualified Family Office Professional (QFOP) training and certificate program for anyone looking to learn more about family offices. This platform provides family office professionals with a comprehensive training program to further improve your knowledge in areas important to family offices.

Modules of our family office training program cover:

- Family office management, business development, and leadership. Hedge funds, private equity, and venture capital.
- Family offices, trusts, and wealth management.

- Financial analysis, financial modeling, and investment banking.

The Qualified Family Office Professional program is a comprehensive training platform for family office teams that can be used to help bring new members on board, provide continuing education to existing team members, or to help someone experienced take on new responsibilities more effectively. Access to continuing education has been shown to reduce employee turnover and improve the effectiveness of those same employees. As the family office industry expands, we see a growing need for a comprehensive industry training solution that boosts employee efficiency and ultimately helps your family office better serve its clients.

To learn more or enroll in the Qualified Family Office Professional training program, please visit www.FamilyOfficesGroup.com/Training, call (212) 729-5067, or e-mail us at Training@FamilyOffices.com.

Free Monthly Newsletter: A complimentary subscription to our Family Office Monthly Newsletter (see Appendix) is included for all family offices that enroll in the Qualified Family Office Professional training program.

Qualified Family Office Training

Qualified Family Office: If you run a family office and are interested in having your organization recognized for its dedication to the family office industry and ultra-wealthy clients, you may want to have your firm complete our Qualified Family Office (QFO) program. This is offered to recognize family offices that have a dedicated team serving ultra-wealthy clients. To learn more or provide feedback on this process, please visit www.FamilyOfficesGroup.com/QFO or e-mail us at QFO@FamilyOffices.com.

Family Office Database Version 8.0



Our team offers the most complete and consistently updated family office data product in the industry. Now on Version 8.0 we have over 10 professionals working full time on nothing but improving our data packages each day.

We are the only data provider to provide a 4X pro-rated guarantee on the accuracy of data so you can be assured that you are not sold outdated or incorrect information.

To find a Family Office Database package that works well for you please visit <http://FamilyOffices.com/buy>

To learn more about working together please visit <http://FamilyOfficesGroup.com>, email us at Team@FamilyOffices.com, or call (212) 729-5067.