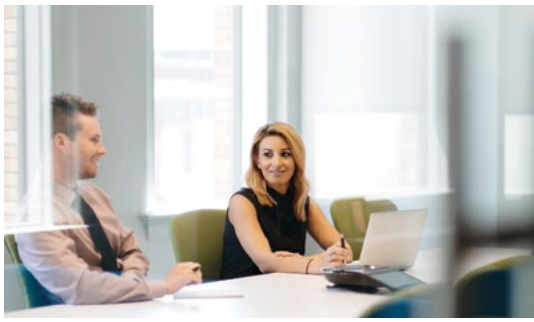
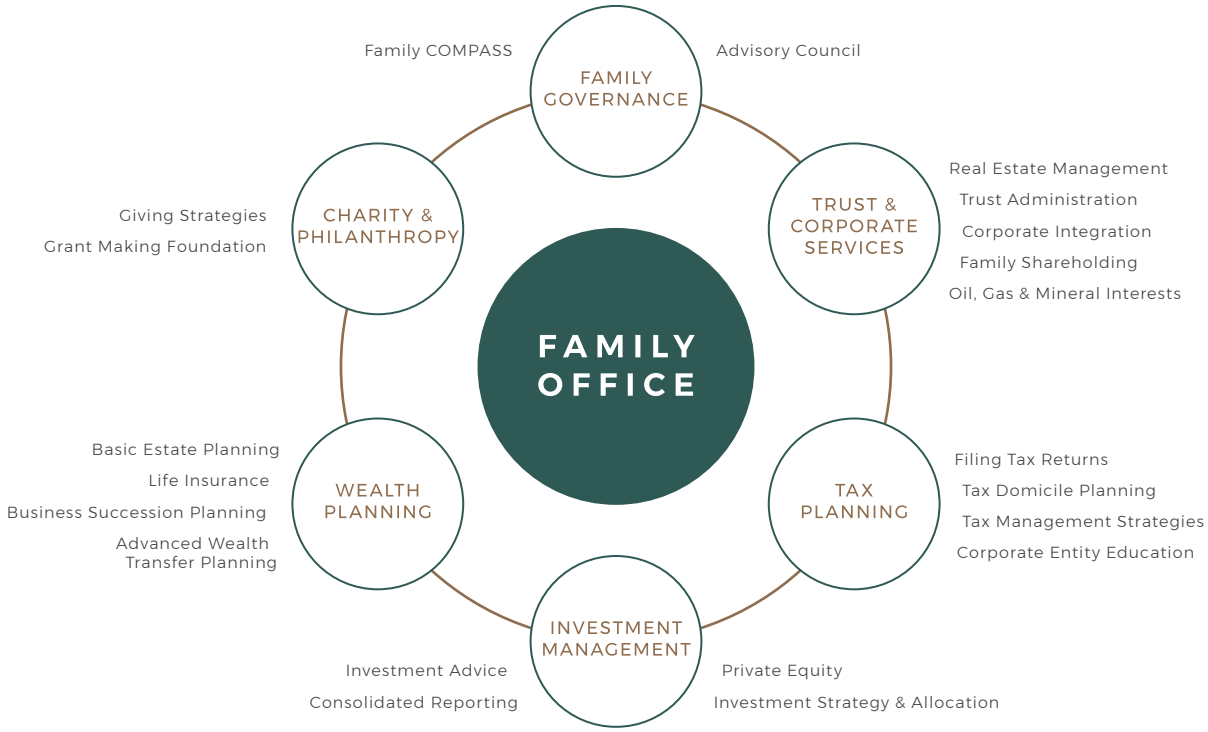
Family Offices Explained



"When you have seen one family office, you have seen one family office" is a common phrase used to describe the family office sector.

Yes, each family office might be unique, but, regardless of the structure, they share in the primary objective of preserving and growing the family's wealth over generations. Family offices are shaped by the nature of the family's wealth, complexity, desired involvement, goals, and governance.



Family offices are more than just financial entities; they are guardians of family legacies. They provide a range of services, from investment management to philanthropic endeavors, all tailored to the unique needs and values of the family.

Successful wealth transfer is not just about passing down assets; it is about passing down knowledge, values, and a sense of responsibility. Multigenerational wealth transfer strategies focus on education, mentorship, and empowering future generations to carry the torch.

Beyond the financial aspect, family offices play a crucial role in preserving the cultural and ethical values that define a family. They serve as stewards of tradition, ensuring that wealth is not just maintained but aligned with the family's principles and beliefs.

In today's rapidly changing world, family offices must innovate and adapt. From embracing sustainable investing to leveraging technology for more efficient wealth management, staying ahead of the curve is essential for preserving and growing multigenerational wealth.

Investment Advisory Services offered through Private Wealth Asset Management, LLC.

Despite the best-laid plans, challenges inevitably arise. Whether it is navigating family dynamics, dealing with changing tax regulations, or addressing unforeseen economic shifts, resilience and flexibility are paramount in ensuring the longevity of a family's wealth.

WHAT ARE THE DIFFERENT TYPES OF FAMILY OFFICES?



SINGLE-FAMILY OFFICE

Dedicated exclusively to the needs of one family, potentially through generations

Full-time, full-service team; outsources very little

Typically have a central family business and satellite investments

Some are very active in sourcing new investments, and some are focused on generational preservation



MULTI-FAMILY OFFICE

Dedicated to the needs of multiple separate family units; many of the needs of each family overlap

Full-time, full-service team; outsources very little

Common to see where multiple families are involved in a centralized investment or co-investment



VIRTUAL OR OUTSOURCED FAMILY OFFICE

Serves a small number of families with differing needs and differing levels of net worth

Lean office; outsources many services à la carte and drives costs down

Experts within the office can be used to find the best solutions to solve the most complex problems as a fiduciary

WHY WOULD I NEED A FAMILY OFFICE?

- Advisors (investment managers, CPAs, attorneys, insurance specialists) are not working together holistically
- Complexity is hard to manage on your own
- Generational wealth transfer goal
- Mistake avoidance - at $100M, if there is a 5% mistake, it's a $5M mistake
- Need for organization, freeing up time, focusing on their core competencies and outsourcing other duties

HOW MUCH MONEY DO I NEED TO HAVE TO CONSIDER A FAMILY OFFICE?

- There are an estimated 60,000 families globally and 11,000 in the US with net worths of $100M+.*
- In the US, approximately 1.8 million people have a net worth of $20M+.*
- The need to explore a Single-Family Office is a function of establishing wealth in the $50M+ range, the expectation to grow and preserve those assets, and the goal to build out an internal, active team focused on the needs of that specific family.
- The need to explore a Multi-Family Office, Outsourced Family Office or Virtual Family Office may start at a much lower value ($10M+) and can work for much higher-net-worth families.
- The goal to grow and preserve the family's wealth through generations and creating a team of specialized professionals to achieve structure and organization to the family's wealth holds true regardless of type of family office.

*Source: Deloitte 09/04/2024

Investment Advisory Services offered through Private Wealth Asset Management, LLC.

WHAT ARE THE BENEFITS OF A FAMILY OFFICE?

- Increased reporting and organization
- Coordinated approach
- Saving time with team members and outsourced advisors working together
- Avoided mistakes and reducing risk
- Next gen planning, education, and involvement
- Coordinated approach to philanthropy
- Development of ancillary services like concierge or private assistant
- Can be helpful to create more privacy or made to be more of a public impact maker
- More tax efficiency depending on where the family office assets are domiciled

WHAT DO I NEED TO THINK ABOUT TO SET UP A FAMILY OFFICE?

- Understanding intimately what you have, through organization
- Understanding current estate plan and identifying tax and investment strategies which have not been implemented
- Refine and organize current approach and team members
- Develop your family COMPASS
  - That will then tell you which steps for implementation you want to start with
- Holding company typically, but not always

WHAT IS YOUR FAMILY COMPASS?

- Vision
- Values
- Mission/objectives
- Confidentiality
- Investment Policy Statement – how active does the family want to be, what industries for direct investing, public and private markets, defining risk? Co-invest with other families?
- Governance – formal with full-time staff, board members, advisory board
- Client service, family needs, ancillary services, lifestyle, and concierge – how important?
- Family meetings
- List of advisors and building the right team – budget for professional staff
- Type of taxes and income strategies – where are you located?
- Strategy
- Coordination to avoid mistakes



- Organization
- Identifying risks – cybersecurity/deal outlook/wealth transfer/diversification
- Personal/business prop/personal liability/intergenerational
- Confidentiality and control – non-disclosure rules – what does the family want that to look like? Holding company? Security measures?
- Tech and software costs

Investment Advisory Services offered through Private Wealth Asset Management, LLC.

NEXT STEPS

Starting Your Family Office

- COMPASS created and documented
- Operating plan for day-to-day – key performance indicators (KPI)
- Financial controls
- Core team build – Chief Executive Officer/ Chief Investment Officer
- Ethics and governance policies
- Legal structure and entity formation
- Independent insurance review
- Contingencies plans
- Advisory board created
- Technology set
- Budget

> ***Family offices play a crucial role in preserving the cultural and ethical values that define a family.***

OUTSOURCE WHICH SERVICES?

- CIO/investment consulting firm
- Family invests under core competency
- Outsource liquid investments
- Alternative investment advisory firms – fund of funds, hedge funds, private equity, negotiation of fees and efficiency in price
- Accounting and back-office solutions
- Trust administration work
- Investment banking – identifying and sourcing acquisition opportunities
- Security – personal and asset security
- Information technology (IT) solutions – accounting, reporting, trading, banking – contract out to IT firms
- Concierge services and healthcare
- Virtual Family Office
- Compliance officer or outsourced compliance firm especially if you are taking outside investment
- Legal counsel – on retainer or in-house?
- Public relations and marketing if higher profile investments or gifts are made



Questions About Family Offices?

Reach out to our team. Russell Samples assists families with complex wealth in avoiding unintended consequences of critical decisions. Russell leads a team of wealth professionals dedicated to providing comprehensive family office services catering to the unique needs and goals of high-net-worth families.

RUSSELL SAMPLES, CTFA®
FOUNDING PARTNER, MANAGING DIRECTOR

P | 210-667-2628 **M** | 361-500-3342 **E** | russells@privatewealth.com

Investment Advisory Services offered through Private Wealth Asset Management, LLC.