

# Creating A Single Family Office to Manage Wealth and Sustain the Family

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### WHITEPAPER

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The benefits of hiring internal professionals exclusively devoted to your family's financial and personal needs



## ABSTRACT

A Single Family Office (SFO) is a private company of professionals who are dedicated exclusively to the investment, personal and legacy needs of one family. The concept of an SFO can be traced back to the Roman major domus (head of the house) and the medieval major-domo (chief steward)<sup>1</sup> as well as the British landed estate. The modern SFO originated in the 19th century by family dynasties who accumulated significant wealth created during the American industrial age.



IF YOU'VE SEEN ONE  
SINGLE FAMILY OFFICE,  
YOU'VE SEEN ONE SINGLE  
FAMILY OFFICE...

Interest in SFOs has grown during the last twenty years with a new wave of worldwide wealth coupled with global economic turmoil of the past decade. Extreme volatility, banking and business failures and investment fraud, has motivated many families of significant wealth to take control of their financial affairs and preserve their family legacy.

While a number of wealth management firms call themselves "family offices," this white paper focuses on the "Single Family Office" or SFO—a privately-owned and – run wealth management firm developed for one family. Each SFO is as unique as the family who founded it. As the saying goes: "If you've seen one single family office, you've seen one single family office."

Investment-Related  
Services

Management of  
Complex Assets

Accounting, Tax  
Planning and  
Compliance

Asset Protection  
and Risk  
Management

Family Services

# Who, What, Why

CH-01

WHO, WHAT, WHY



*Some advisors say the monetary threshold before a single family office (SFO) makes sense is between \$50 million and \$100 million in total assets...*

## WHO, WHAT, WHY

Some advisors say the monetary threshold before a single family office (SFO) makes sense is between \$50 million and \$100 million in total assets. Some family office professionals might say \$500 million or more. A better question to ask: *Is my family's wealth—in all its financial and non-financial forms—being well-served by my existing wealth advisory team?*

Some SFOs are substantial wealth management institutions, with teams of experienced investment managers overseeing fully diversified portfolios, including hedge funds, private equity, direct investments, real estate, commodities and other alternative investments. Other SFOs are smaller, managing more limited assets. Almost all SFOs share the following features:

- The SFO manages a complex pool of investment and personal assets.
- Investments are selected and managed with a long-term focus (typically, for multiple generations of the family).
- The creator of the SFO wishes to play an active role in overseeing investment management.
- The creator intends to avoid the conflicts of interest inherent in the existing wealth-management industry.

For the families that create them, an effective SFO can provide:

- Control, coordination and integrated management of investment, business, philanthropic and personal services
- Privacy and confidentiality
- Dedicated focus on the needs and requirements of the family
- Services and benefits customized to the needs of the family
- Coordination and management of outsourced providers
- Purchasing leverage, fee minimization and cost savings
- Risk management and compliance
- Alignment with the family's legacy, vision and values

## WHO, WHAT, WHY *(CONT'D)*

Depending on the needs and wishes of the family and the size and complexity of the assets under management, the services provided by the SFO can vary widely. They may coordinate and oversee various types of investment-related services, management of complex assets, accounting, tax planning and compliance, asset protection and risk management as well as family services. Here are the most common elements that each category may include:

### *Investment-Related Services*

- Development of an investment policy statement (ISP)
- Development and implementation of an effective asset allocation
- Sourcing and due diligence for direct investment opportunities
- Investment due diligence
- Aggregation and reporting of investment performance

### *Management of Complex Assets*

- Residential real estate
- Commercial real estate
- Operating businesses
- Collections
- Sports teams
- Socially-responsible investments

### *Accounting, Tax Planning and Compliance*

- Accounting and tax filings
- Identification and engagement of outsourced providers
- Tax planning
- Development and coordination of estate plans for all family members
- Trust implementation and administration
- Administration of private family trust company

### *Asset Protection and Risk Management*

- Investment due diligence
- Insurance services
- Hiring, background checking and management of household, business and family office staff
- Reputation management
- Personal security services
- Medical management

### *Family Services*

- Family bank and intra-family loans
- Philanthropy and charitable activities
- Family mission, constitution and governance
- Family legacy and values
- Next generation education and engagement
- Organization of family retreats
- Personal and property security systems and procedures
- Concierge services (for example, travel planning, private aviation, personal shopping)

# The SFO Universe

CH-02

THE SFO UNIVERSE



*According to Wealth X's World Wealth Report 2012 - 2013, currently there are approximately 50,000 families worldwide, defined as having at least \$100 million in financial assets, excluding collectibles, consumables, consumer durables and primary residences...*

## THE SFO UNIVERSE

According to Wealth X's *World Wealth Report 2012 - 2013*, currently there are approximately 50,000 families worldwide, defined as having at least \$100 million in financial assets, excluding collectibles, consumables, consumer durables and primary residences.

The Family Office Association estimates that currently there are approximately 3,000 SFOs around the world. Given the number of ultra high net worth individuals, why are there so few SFOs? Part of the reason is lack of awareness and education regarding the benefits of an SFO, fear of potential cost and complexity of set-up and management, challenges in hiring capable staff, and lack of professional guidance. All these factors make families reluctant to create their own SFO. Also, the estimate doesn't include quasi-family offices: small private family investment companies of limited scale, or family offices embedded within family-owned and – managed businesses.

But families that forego an SFO, whether by conscious decision or lack of awareness, face troublesome issues, particularly in times of economic turmoil. These families often have fragmented and uncoordinated relationships with multiple private banks, wealth managers

and other business, investment and personal service providers. The family pays high fees for this disorganized array of overlapping services. Worse, those fees likely are not fully disclosed, so the family can't quantify or compare them, or effectively negotiate with the service providers. Furthermore, many of the institutions they work with have built-in conflicts of interest: brokers and other client-facing staff often receive higher commissions for selling the institution's own investment products, giving them an incentive to push these products rather than choose the product that best suits the client's needs and circumstances. Families also rarely have the staff or the expertise to vet investment advisors or individual investment opportunities, thereby heightening the chances that they may inadvertently enter into a subpar investment, or worse, a Ponzi scheme or other fraud.

Now more than ever, wealthy families need to coordinate their business, investment and personal relationships, centralize management and oversight, implement appropriate due diligence and risk management procedures, and manage their family affairs more effectively. For a family of significant wealth, an appropriately structured and well-run SFO may be the answer.

Determine the Purpose and Create a Mission Statement

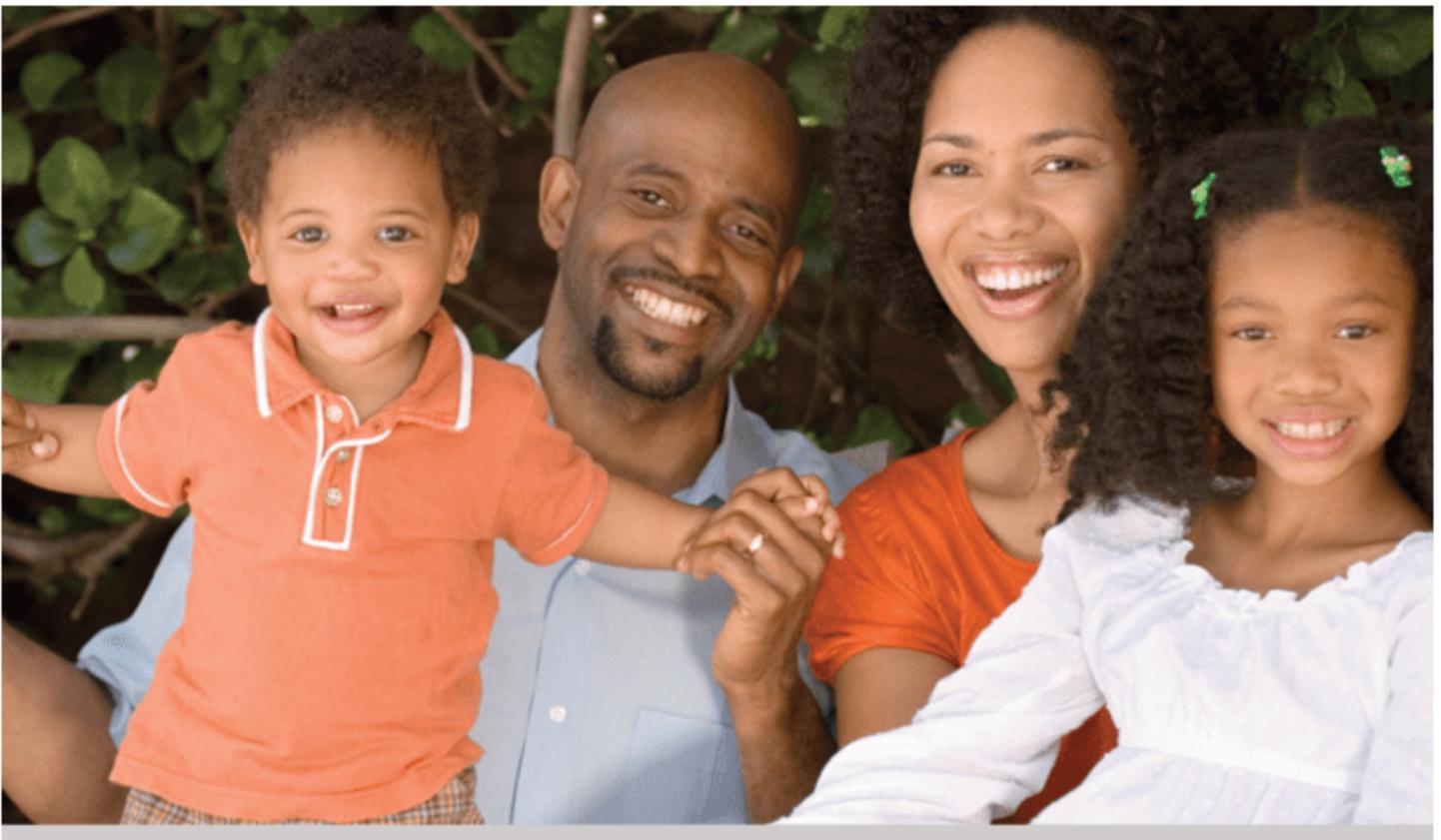
Assess the Needs and Objectives of the SFO

Develop a Business Plan

# Creating An SFO

CH-03

CREATING AN SFO



*A critical early task in setting up an SFO is defining the mission of the family office...*

## CREATING AN SFO

Designing and implementing an SFO to fit your family's unique circumstances and needs deserves thought and preparation. While this white paper can't cover everything a family needs to know and consider in creating an SFO, the following can be a useful checklist. Families considering forming a SFO should put together a task force made up of family leaders and trusted advisors to lead the planning effort, with input from outside specialists as necessary.

### ***Determine the Purpose and Create a Mission Statement***

What will be the purpose of this family office? To manage liquidity generated by the sale of a business? To oversee a portfolio of direct

investments? To preserve a family legacy? And why does the family want to manage assets collectively? Families planning an SFO should take time at the outset to consider the purpose of the SFO and its role within the family.

A critical early task in setting up an SFO is defining the mission of the family office. Developing a short, focused mission statement to guide the work of the SFO will help to avoid "mission creep" in future years. The founders should avoid drafting a mission statement that is high-minded but vague and short on specifics. A family office consultant can help a family mold its vision and values into a practical and useful tool to guide the work of the SFO.

## CREATING AN SFO (CONT'D)

### *Assess the Needs and Objectives of the SFO*

#### *1. Who are the clients?*

At the outset, make a list of all the individuals and entities to be served by the SFO, such as individuals, family branches, investment entities, businesses, trusts, trust companies and foundations. The design of the SFO should take into account each client's unique needs and requirements.

#### *2. What assets will be managed by the SFO?*

Make a list of all the types of assets that the SFO will be responsible for managing: marketable securities, hedge fund interests, MLPs, direct investments, operating businesses, residential real estate, commercial real estate, farms, collections, aircraft, yachts, horses, sports teams. The SFO will need to hire or outsource the specific expertise needed to oversee and manage its particular asset pool.

#### *3. What services do the clients of the SFO need and want?*

Families with extensive investments, or with liquid capital to be invested, will need investment management services including development of investment policy statements and asset allocation plans, manager due diligence, and investment reporting. All SFO clients will need comprehensive and accurate performance reporting and accounting and tax-return preparation. Coordination of risk management—such as insurance, security and reputation management—is also a nearly universal need of SFO clients. Development and coordination of estate and tax planning, possibly including management of a private family trust company, is an obvious need of a multi-generational

client group, but can be equally critical for a first-generation entrepreneur who wishes to perpetuate the family's legacy over the long term. Other possible needs include property management and staffing, bill payment and concierge services.

### *Develop A Business Plan*

Once the clients, assets and needs have been itemized, the task force can begin the process of developing a business plan that outlines the services to be provided, a short- and long-term timeline, employee and outsourced talent required, service partners required (for example, custodians, tax counsel, security services) and technology needs.

### *Budget*

A key objective in developing a business plan should be determining a budget. Typically, SFO budgets are defined as a percentage of assets under management. SFO operating costs vary widely—smaller SFOs, or those managing complex assets, tend to cost more to operate than larger SFOs, or those managing a simpler portfolio, because there are fewer economies of scale to exploit. The budget of an SFO managing an extensive portfolio of alternative investments and commodities for three generations of family members, all of whom also share a passion for modern art and house their collections in multiple homes around the world, will necessarily be larger, both as an absolute number and as a percentage of assets under management, than the budget of an SFO managing a portfolio of publicly-traded securities for a single family unit. Family office consultants can be very helpful in determining a reality-based budget for an SFO, given a specified clientele, asset pool, and service requirements.

## CREATING AN SFO (CONT'D)

SFOs are not inexpensive to operate, and the future clients of the SFO may balk at the projected cost at first. However, when compared against the current expense of managing the family's assets—taking into consideration all costs, fees and expenses—the expense of an SFO will likely be lower. Certainly, because the SFO will be custom-tailored to the family's needs, the return on that expenditure will be higher.

The budget will drive the creation of benchmarks to set expectations for SFO performance.

How will the cost of the SFO be funded? An SFO serving the needs of a multi-generational family must consider how the costs will be allocated and charged to individual clients of the SFO. Tasks classified as "needs" by a client may slip to the category of "nice to have but not necessary today" when that client finds he must bear the cost. Future conflict between family office clients or between the family and the office can be avoided if the method of allocating expenses, determining the expected contributions by each client, and collecting fees is made explicit from the outset.

### *Leadership and Staffing*

The plan should identify the expertise required to meet the specific needs of the SFO's clients, given the specific assets to be managed and

the available budget. The plan should also specify whether such expertise will be provided internally – via SFO staff - or outsourced. Once the staffing needs are determined, the issues of location, office space needs, technology, security, administrative support etc. can be addressed.

At this point in the process, CEO candidates should be identified (if this task has not already been completed). Because the CEO of an SFO must work closely with the family, the office staff and with a wide array of outside service providers, the CEO must have excellent organizational, management and "people" skills. Choosing a CEO purely because of his or her technical expertise in investing is generally a mistake. Because the CEO carries out a high-level executive function and serves as the family's face to the outside world, candidates should have proven experience leading, managing and communicating successfully in a wide variety of complex situations. Once identified and hired, the SFO CEO will take on the role of carrying out the build-out of the SFO in accordance with the plan.

## CREATING AN SFO (CONT'D)

### *Staffing*

SFOs often hire investment team members with extensive prior experience at private banks, investment houses and hedge funds. Such talent is highly sought after; candidates often demand—and get—co-investment rights or bonus compensation based on investment performance. The SFO should take care in structuring such arrangements, particularly in light of the Dodd-Frank Act's requirement that family offices comply with RIA registration requirements unless they fit a very narrow exemption. SFOs, both new and established, should seek advice of experienced counsel when bringing on new investment team members or adding new benefits such as carried interests.

All staff members, at every level, should go through a background check and sign non-compete, non-solicitation and non-disclosure agreements. Whether the SFO is large or small, it should have an employee policy manual. The manual should be reviewed and updated at least annually by knowledgeable counsel.

### *Oversight*

The SFO should be overseen by a board of directors, which will meet regularly and be responsible for setting strategy and overseeing the CEO. Most families control the board of their SFOs, to ensure that strategy is in line with the family's wishes. Many SFOs are following the lead of private businesses and bringing independent advisors onto the board to provide outside perspective and expertise.

### *Contingency Plan*

Planning for the SFO should include development of a contingency plan that outlines procedures to be followed in the event of a natural disaster, extreme volatility in the financial markets, theft, or technology breach or failure. At the most basic level, the contingency plan should include provisions for ensuring the safety and security of the family, its critical information and tangible assets, safety of the SFO staff, off-site backup of all information, and a plan for re-establishing critical office activities off-site as quickly as possible.

# SFO Governance

CH-04

SFO GOVERNANCE



*Successful SFOs have strong governance structures to ensure that the organization is operated in accordance with the family's mission and values over multiple generations...*

## SFO GOVERNANCE

Governance has long been a focus of corporate investors, but until recently less attention has been paid to how SFOs are governed. An SFO that is intended to serve a family for generations would be wise to take time to develop and implement an effective and appropriate governance structure that can significantly improve the longevity and success of the office.

Some families shy away from the term “governance.” This term can bring to mind long lists of onerous rules, regulations and policies. At its core, governance is really nothing more than a set of rules that define how an organization will make decisions, large or small. For governance to be effective, the owners, overseers (the board of directors or advisors) and management will need to be informed, understand their respective roles, rights and responsibilities, and operate the organization accordingly.

One of the challenges of SFO governance is that the needs of the organization may change radically—and very suddenly—over time. Commonly, a successful individual will create an SFO following a liquidity event of some sort. The founder will build the SFO structure to suit his own needs and interests. As with any business run by a controlling owner, there isn't a great need for formal governance at this stage of the SFO because the owner is fully informed, understands the goals and objectives of the SFO, and handles the critical roles—ownership,

stewardship, oversight and management—himself. Unless the controlling owner has a formal governance mindset, he generally will prefer to run the SFO “lean and mean,” without a lot of staff or formal structure, making decisions on the fly in accordance with his intuitive assessment of what's needed at the moment. The controlling owner will often rely on a key advisor or staff member who “gets it” and knows how to implement the controlling owner's plans, who understands what is needed and does whatever is necessary to make that happen.

It's critical to recognize that this sort of organic, first-generation governance generally works quite effectively, at least in the early years. The office runs, makes investments and accomplishes tasks. However, when the SFO comes to be managed for a wider group—typically, upon the controlling owner's death, when the assets pass to descendants or trusts for their benefit—the absence of established, articulated policies will create a power vacuum. Without the founder around, suddenly no one really knows who's in charge, what needs to be done, who's responsible for doing it, or how that performance will be measured or compensated. If the next generation hasn't been prepared for their new roles, there may be a struggle for dominance, or the opposite: fearing conflict, family members may simply abdicate. The SFO may slowly collapse, or a non-family member may come to fill the vacuum, for good or for ill.

## SFO GOVERNANCE *(CONT'D)*

Successful SFOs have strong governance structures to ensure that the organization is operated in accordance with the family's mission and values over multiple generations. These governance structures must be robust yet flexible enough to withstand family conflict, generational transitions and cataclysmic changes in the investment environment, whether anticipated or unanticipated. The following are key elements of a good governance structure:

- The family has articulated its mission, values and vision for the future, and the strategic plan of the SFO is built around that core.
  - The powers, rights and responsibilities of owners, board and management are clearly spelled out and followed.
  - The owners have appointed a board of directors or advisors to provide perspective, access to specialized experience/skills, and to set strategy and investment policy. The board includes individuals who are not members of the family, members of the management team, or paid advisors.
  - Management is free to implement the SFO's strategy, without interference or meddling from the family or the owners.
  - There are regular owners' and board meetings, with written agendas and complete minutes. Information necessary for effective decision-making is distributed well in advance of voting, and there is adequate time for discussion.
  - SFO performance reports are clear, comprehensive and timely, so that decision-making can be based on accurate and complete information.
- The SFO's strategic plan goes beyond investing and includes education of family members, to promote effective stewardship over the long term.

An SFO can do much to align its operations with the family's interests, particularly in times of generational change. Some SFOs find that family office meetings become a venue for family members to air family grievances. The SFO can encourage and support the development of a Family Council to provide a forum for discussions of family issues separate and apart from the SFO. SFOs can play a key role in promoting family education, modeling best practices, training next generation family members, and fostering an attitude of stewardship.

SFOs are typically designed to serve multiple generations of a family, but an SFO is not eternal. Over the past decade, there have been well-publicized stories of substantial SFOs that crumbled under the conflicting demands and high costs of serving tens or hundreds of family members, each with comparatively modest holdings. Other SFOs, recognizing that they could no longer achieve the family's mission and vision, or that the mission and vision had changed in such a way that the SFO's activities were no longer cost-effective, have undertaken carefully orchestrated dissolutions. Families should recognize that dissolving an SFO is inevitably a complex, expensive and time-consuming process, and seek the advice of families and consultants who have navigated this experience successfully.

Dodd Frank  
and SEC RIA  
Registration

Private Trust  
Company

Structuring  
Investments

Carried  
Interests

Insurance

# SFO Infrastructure

CH-05

SFO INFRASTRUCTURE



*How the SFO will be structured depends on the jurisdiction(s) in which it will operate and the types of investments the family owns.*

## SFO INFRASTRUCTURE

How the SFO will be structured depends on the jurisdiction(s) in which it will operate and the types of investments the family owns. Many U.S. SFOs are structured as limited partnerships or limited liability companies, and are organized similarly to hedge fund management companies: the SFO entity does not own any of the assets it manages; rather, it is a service entity that provides services to the SFO's clients on a contract basis.

### ***Dodd Frank and SEC RIA Registration***

While some SFOs are owned by their clients, others are owned by an individual family member or one or more senior staff members. Many families are reconsidering their SFO structures in light of new rulemaking adopted in June 2011 under the Dodd Frank Act, defining family offices. These new rules eliminate the "private advisor exemption," which many SFOs relied upon to avoid having to register under the Investment Advisors Act of 1940. An SFO that does not fit

**SFOs are strongly advised to consult with securities counsel who have experience with family office regarding the potential impact of SEC rules on their structures and operations.**

within the definition of a "family office" or qualify for an exemption as a bank trust company must register with the SEC. While some family offices have opted affirmatively to register with the SEC, others are greatly concerned by the increased administrative burden and loss of privacy that registration would impose.

Generally speaking, any individual or entity providing "investment advice" must register as a Registered Investment Advisor (RIA) unless an exemption is available.<sup>2</sup> Registration is costly and entails detailed disclosures that families typically are reluctant to make. An RIA must maintain and preserve specified books and records, and make them available to Commission examiners for inspection. An RIA must also implement substantive compliance programs, prepare and file reports with the SEC, and provide detailed written disclosures to their clients (known as ADVs). Every RIA is subject to SEC audit. Failure to register may subject an advisor to criminal and civil sanctions and penalties.

## SFO INFRASTRUCTURE (CONT'D)

SFOs may avoid registration by:

- Structuring ownership and operations to fit within the “family office” exemption to RIA registration;
- Outsourcing investment responsibility to one or more third party RIAs; or
- Establishing a Private Trust Company (PTC).

### *Private Trust Company*

With a PTC, a family-created entity rather than a third party serves as trustee of the family’s trusts. Private Trust Companies are sometimes recommended by advisors as a mechanism to avoid RIA registration, but PTCs may also offer substantial additional benefits for the SFO:

- Greater participation and input by the family than would be possible if an outside, third party served as trustee;
- Common administrative and decision-making policies and protocols for all trusts;
- More knowledgeable and focused fiduciary oversight for family businesses, alternative investments, start-ups, real estate, and other non-public investments held in trust;
- Greater privacy and confidentiality;
- Better understanding and knowledge of family circumstances and needs of beneficiaries.

**SFOs seeking to establish a PTC primarily to avoid RIA registration are advised to consult knowledgeable securities counsel with experience advising family offices.**

### *Structuring Investments*

The various investments managed by an SFO are typically held in individual limited liability entities, to limit the risk that losses or liabilities of

one investment will affect another. For example, if the SFO holds commercial real estate, each parcel of real property likely will be held in a separate entity. If a passer-by slips on the sidewalk in front of one building, incurs a severe head injury and sues for medical expenses and lifetime maintenance, any liability in excess of the SFO’s casualty coverage will be limited to the assets of the entity that owns that building, thereby protecting assets held in other entities.

SFOs are increasingly utilizing sophisticated holding structures such as tracking partnerships. A tracking partnership permits family office clients to hold different partnership assets in different percentages, with performance results tracking accordingly.

By way of example, assume the tracking partnership has four separate classes of interests: Class B (bond portfolio), Class S (indexed stock portfolio), Class A (alternatives portfolio) and Class R (REIT portfolio).

- Partner 1, an individual seeking a broadly diversified portfolio, might hold a 10% interest in Class B, a 10% interest in Class S, a 20% interest in Class A and a 15% interest in Class R.
- Partner 2, a trust intended to fund education expenses for Partner 1’s 10 grandchildren, might hold 40% of Class B and only 5% of each of the other classes.
- Partners 3, 4, and 5 would hold the balance of the interests in each Class, each in accordance with their individual investment goals.

A tracking partnership gives partners the investment flexibility they would have if they formed several partnerships, but permits them to trade between classes from time to time without recognizing gain or loss for tax purposes.

## SFO INFRASTRUCTURE *(CONT'D)*

Tracking partnerships offer considerable flexibility, custom-tailoring of client portfolios, and a consistent governance model for SFO clients. However, they also bring with them complex tax, accounting and reporting issues, and so need to be designed with the help of knowledgeable legal and accounting counsel and managed with care.

### *Carried Interests*

A carried interest is a share of profits from a partnership or LLC that is paid to a participant who did not provide any capital to the venture.

A carried interest may provide a tax-efficient mechanism to fund family office expenses, and may be used to structure incentive compensation opportunities for SFO staff.

Particularly in light of Dodd Frank and the SEC's family office exemption, staff participation in SFO investments should be reviewed to ensure that they do not unintentionally trigger RIA registration requirements.

**SFOs are strongly advised to seek guidance from tax and accounting advisors before putting in place any carried interest structure or incentive compensation plan for SFO staff.**

### *Insurance*

A critical task for any SFO will be monitoring and managing risk for the family, SFO clients and their holdings and interests. Property and casualty, liability, health and life insurance typically will be overseen and coordinated by SFO staff; developing relationships with an insurance firm that has experience working with SFOs, knowledgeable staff and a

comprehensive offering of insurance products can significantly improve the scope of coverage while reducing costs. Certain assets, such as private jets and other aircraft, require unique holding structures, insurance coverage and regulatory compliance.

As the SFO grows and its clients and investments change over time, it is a good idea for the family and CEO to undertake a structural audit from time to time, to make sure that the SFO structure is optimal for its purpose. The audit may uncover opportunities for eliminating or reorganizing holding entities within the structure, thereby reducing reporting, accounting and compliance expenses for the SFO.

# SFO Advisors

CH-06

SFO ADVISORS



*A well-run SFO will have a clear process for selecting and vetting advisors...*

## SFO ADVISORS

Most SFOs will draw on the expertise of a variety of outside advisors, including (but not limited to) lawyers, accountants, bankers, insurance providers, investment advisors, philanthropic consultants and information technology specialists. Seeking advice when needed, contracting for services, and coordinating the efforts of these specialists will be a major responsibility of the SFO CEO and staff.

A well-run SFO will have a clear process for selecting and vetting advisors. While many members of the SFO team will have experience working with various service providers, it is important for the team to have clear procedures for selecting advisors to avoid conflicts of interest or playing favorites. Many SFOs establish budgets for advisor-related expenditures on an annual or more frequent basis, thereby prioritizing needs and giving SFO staff clear parameters for defining the scope of each project with advisory team members.

Performance of existing advisors should be reviewed from time to time to make sure that the services they provide are of high quality and are appropriate to the problems the SFO faces. Are the advisor's services responsive, relevant, comprehensive and delivered on a timely basis? Does the advisor coordinate with other service providers working on the same issues (for example, does tax counsel work effectively with the SFO's outside CPAs and internal accounting team?) Does the advisor alert SFO staff to newly arising or unexpected issues or opportunities? Is family privacy and confidentiality respected? Are the advisor's fees appropriate to the work accomplished?

While some SFOs have sought to develop in-house expertise in most areas, SFO observers have noted a recent trend toward outsourcing,

which may offer the family greater access to expertise at lower cost. An extreme example of this trend is the virtual SFO, an entity without an office or even dedicated staff of its own; rather, SFO services are provided by a group of advisors on a contract basis, quarterbacked by one of those advisors.

The advantages of having an in-house, dedicated team to manage the SFO are clear: the team's focus will be undivided; its skills will be matched to the needs and requirements of the family and the SFO's specific assets rather than those of each team member's own general client base; the family's privacy and confidentiality will be maintained and the expertise will be on-call and available whenever needed. Very generally speaking, in-house service providers will tend to be more focused on and responsive to the family's needs, and their work will be under the sole control of the family. Highly confidential and mission-critical services should be the first priority when determining which activities will be handled in-house.

The advantages of outsourcing SFO services are significant as well: lower cost, exposure to a broader range of advice and the perspective and experience gained from serving multiple similarly situated families; economies of scale and access to higher-level expertise, particularly in areas where the SFO's investments or needs don't justify the expense of a full-time individual or bespoke service. Very generally speaking, outsourced service providers tend to have better access to a wider range of information, and are subject to the discipline and best practices of the wider marketplace. Highly complex services requiring substantial capital investment and delivered in rapidly changing environments and circumstances should be the first priority when determining which activities will be outsourced.

Investment Risk:  
Fund-Related  
Risks

Investment Risk:  
Reporting

Accounting and  
Tax Reporting

Estate  
Planning

Asset Protection  
and Reputation  
Management

Background  
Checking

# Compliance and Risk Management

CH-07

COMPLIANCE AND  
RISK MANAGEMENT



*While most SFOs are founded to provide investment services, perhaps the most important role of the SFO is to monitor and manage risk for the family...*

## COMPLIANCE AND RISK MANAGEMENT

While most SFOs are founded to provide investment services, perhaps the most important role of the SFO is to monitor and manage risk for the family. With all investments and related activities managed by a single team, the SFO is in a better position than any individual family member, advisor or service provider to measure risk systematically and ensure that SFO assets are protected from risk in its multiple forms.

While a comprehensive risk-analysis discussion is beyond the scope of this paper, a well-run SFO can manage the following risks a family may face:

### *Investment Risk: Fund-Related Risks*

SFOs typically invest a substantial portion of the family's wealth in mutual funds, hedge funds and private equity funds in an effort to diversify the portfolio and boost alpha-related returns. However, investing in funds can bring a variety of risks that need to be monitored by the SFO and its advisory team:

- Funds are often touted a way to diversify a the SFO portfolio, but this diversification effort can backfire when multiple fund managers are investing in the same security or sector. It can be difficult to monitor such concentrations due to lack of transparency at the fund level. An independent investment advisor may be able to provide greater clarity than the SFO staff alone can achieve.
- Hedge funds may exhibit "style creep" as managers venture into new markets to enhance returns.
- Particularly in times of extreme market

volatility, redemption limitations or "gates" can impair the SFO's ability to generate liquidity.

- Successful funds may become too large to function optimally in a given market, hurting returns.
- As the Madoff Ponzi scheme and other recent frauds have illustrated, governmental oversight of funds and investments is extremely limited. Fund investments deserve careful due diligence before capital is committed and regular oversight reviews for as long as the investment is in place.
- Offshore funds may offer even less transparency than U.S. funds, and may create expensive tax reporting obligations.

### *Investment Risk: Reporting*

An SFO can't monitor what it can't measure. SFOs manage complex webs of private entities owning a broad portfolio of private and public investments, all of which report their individual performance at different times and in different formats. As a result, generating timely, accurate and comprehensive investment performance reports is one of the most difficult—and expensive—challenges for most SFOs. As detailed on page 30, when a family considers creating an SFO, it should plan to allocate a substantial portion of the annual budget to investment performance reporting-related expenses. SFOs that shortchange reporting capability often find themselves trying to make decisions with inaccurate, outdated information.

## COMPLIANCE AND RISK MANAGEMENT (CONT'D)

### *Accounting and Tax Reporting*

Most SFOs handle tax reporting and estimated payments for family members and other SFO clients. Most of these clients will have local, state and federal tax filing obligations; some will need to file in multiple jurisdictions. With the increasing prevalence of complex holding structures incorporating multiple pass-through entities and grantor trusts, the task of complying with tax reporting obligations is growing steadily more difficult. The risk is significant: failure to file accurate tax reports and make timely payments can subject the client to audit, interest and penalties. In addition to working with in-house and outside accountants to ensure timely filing and payments, the SFO will need to stay ahead of tax law changes and new filing requirements. As demonstrated by the recently implemented rules requiring disclosure of foreign bank accounts (the so-called FBAR requirements), the cost of failure to comply can sometimes be greater than the value of the asset.

### *Estate Planning*

Most SFOs play a key role in helping clients to put in place effective tax planning and ensuring the planning is properly implemented. As with accounting and tax reporting, the prevalence of complex investment and wealth holding structures leads to equally complex estate planning structures. The SFO will generally be responsible for coordinating with counsel on the development of estate- and gift-planning strategies and updating planning as circumstances and assets change. SFO clients often include one or more multigenerational trusts created by prior generation family members, and the SFO is typically responsible for handling much of the administrative work for existing and new trusts, including maintaining accurate books and records, producing detailed accountings, and handling tax reporting and

compliance. If the trustee of the trusts is a Private Trust Company (PTC), the SFO will typically manage administrative and investment functions for the PTC.

### *Asset Protection and Reputation Management*

A major creditor claim—whether from a divorcing spouse, an injury occurring on family property, or consequences of a vehicular accident—can be a significant threat to a wealthy family. How a given asset is titled, held and insured can be critical to managing such threats successfully. The SFO generally will be responsible for managing asset protection strategies and for implementing multiple strategies (such as limited liability holding structures, insurance, indemnification agreements) where particular circumstances warrant a layered approach. SFOs for celebrities and prominent families are developing detailed risk-management plans that lay out procedures for family and staff to follow in the event of an incident or emergency. Such plans are particularly important for families that travel abroad frequently or entertain extensively.

With the rising use of computers and social networking sites by family members, many SFOs are also developing reputation-management protocols to reduce the risk of identity theft, kidnapping, extortion or harassment of family members.

### *Background Checking*

The biggest risk to a wealthy family is an inside job: a theft or other crime perpetrated by a member of the family's inner circle of staff, advisors and service providers. Most SFOs undertake detailed background checks of potential hires, and many do extensive vetting of advisors and service providers as well.

# SFOs for Business-Owning Families

CH-08

SFOS FOR BUSINESS-  
OWNING FAMILIES



*Building the family office apart from the business also increases opportunities for involvement of family members who don't participate in the business...*

## SFOs FOR BUSINESS-OWNING FAMILIES

Many business-owning families create an informal family office within the business administrative group. The company's accounting team handles personal tax filings and financial record-keeping, while administrative staff keeps track of insurance, record-keeping and, often, bill-paying for senior management, and possibly for other family members as well. The benefits of an embedded SFO are obvious: the family can leverage an existing resource, so the family office is efficient and cost-effective—or seems to be.

There are serious drawbacks to an embedded SFO. First and foremost, the focus of a family office—wealth preservation—is different than the focus of an operating business. Staff often doesn't juggle the varied responsibilities well, and skills that are critical in the business realm don't necessarily translate into the family office realm. For instance, partnership accounting and reporting for trusts and complex investment structures is quite different than corporate accounting, and staff may lack the time, training and technology to handle both jobs well. The legal structure and governance of an SFO are also quite different than those of a business, and substantial missteps and mistakes may occur when business practices are automatically carried over to family office matters. Priorities may be unclear. For instance, if an emergency occurs in both the business and family office at

the same time, which should staff attend to first? Risks of gaps in reporting and compliance rise exponentially when staff is responsible for both the business and the family office.

Families with operating businesses increasingly are developing separate family offices to handle their personal investments and manage their non-business assets. Having a separate office provides for greater privacy and confidentiality, and allows for hiring staff with the specific skillsets required by the family office. Family office staff won't be subject to the hiring practices of the corporation, permitting the development of an SFO-specific organization chart, responsibilities, compensation, and work practices. A separate structure for the family office also encourages a longer-range focus for the family's own strategic planning.

Building the family office apart from the business also increases opportunities for involvement of family members who don't participate in the business. By expanding family involvement, the SFO can become a force for strengthening family cohesion. Some families are using their SFOs to create entrepreneurial venture funds, investing in promising new businesses or technologies, thereby increasing the odds of expanding rather than simply preserving the family's capital.

# Adapting to Changing Circumstances

CH-09

ADAPTING TO CHANGING  
CIRCUMSTANCES



*For redemptions of SFO investments, as with redemptions of interests in any privately held, illiquid entity, the challenge will lie in valuing the redeeming client's interests in the SFO's funds...*

## ADAPTING TO CHANGING CIRCUMSTANCES

As families grow and circumstances change, their SFOs will need to change and adapt in turn. Anecdotal evidence suggests that the ratio between the assets managed and the number of clients served is an important predictor for the long-term success of an SFO. The larger the value of the assets, and the smaller the number of clients, the more efficient and cost-effective the SFO will be. This is not to say that there aren't successful family offices for very large clans, but as the number of clients grows, SFOs must strengthen management and governance and manage service creep to remain viable. It can be particularly difficult for a SFO serving a large family to remain cost-effective when family members have widely varying personal assets and net worth. In such circumstances, unless a single family member is willing to bear the expense for the entire office on behalf of the rest of the family, spreading the cost of the SFO's services through pricing mechanisms can be extremely difficult and, if not done with full transparency, can generate conflict and dissension.

Strategies that SFOs have employed to deal with changing circumstances include:

- Dissolving, to permit clients to create their own, smaller SFOs or join a multi family office (MFO)
- Reducing the number of clients served ("pruning the tree") to permit focus on a subset of clients with common needs
- Narrowing the services provided by the SFO (for example, focusing only on investments and requiring family members to contract outside the SFO for accounting, tax reporting, bill paying etc.)
- Bringing in outside clients, thereby becoming a MFO

Families who opt to dissolve their SFOs or significantly reduce the number of clients should

prepare for a time-consuming process. It often takes longer to dismantle an SFO than it took to create it. Closing an SFO or redeeming a client out of interlocking and complex investment holding structures is a multi-step process, even if every investment is liquid and notice periods are short. When the investments include hedge funds with long notice periods and gates, extensive commitments to private equity funds, natural resources, and real estate, generating the necessary liquidity can take years. For redemptions of SFO investments, as with redemptions of interests in any privately held, illiquid entity, the challenge will lie in valuing the redeeming the client's interests in the SFO's funds. Such interests will be subject to discounts from capital account value—generally, quite substantial discounts—and the process of determining redemption value can be a flashpoint for conflict among SFO clients. The redemption process will be most successful when the process for requesting redemptions and determining redemption values is set forth in writing and agreed to by all the clients of the SFO at the outset.

Recognizing that clients will periodically need access to liquidity, and that unplanned-for redemptions and dissolutions can be extremely difficult and time-consuming to navigate, many SFOs have created family banks. A family bank offers SFO clients the opportunity to borrow against their interests in SFO investments or to take partial redemptions. Family banks have a number of advantages: they provide clients with access to liquidity at affordable rates and reduce clients' need or desire for redemptions. They also make liquidity available to all clients on the same terms, unlike handling requests for liquidity on an ad hoc basis, with larger/more important clients potentially getting preferential treatment.

# Technology



*A critical early task in setting up an SFO is defining the mission of the family office...*

## TECHNOLOGY

To be successful, an SFO will require robust technology as well as an appropriate structure. Many SFOs fail to optimize their technology capabilities, either due to a lack of execution or simply a lack of awareness around available solutions. Below is an outline of the six key technology needs for SFOs, along with a roadmap for meeting those needs.

### Key Technology Needs For SFOs

1. *Family portal and document vault:* A document vault permits encrypted/secure connectivity and communication among SFO staff, family members and interested parties, along with electronic storage of all family documents (family history, legal agreements, wills, statements, etc.).
2. *General ledger accounting:* A double-entry accounting system, with workflow and accounting controls, integrated with investment and financial reporting, permits the SFO team to track the inflows and outflows of the family members, office and related entities.
3. *Financial administration:* The SFO accounting package should provide for management and payment of all expenses and accounts receivable and payable, ideally, with integration and auto-posting to the general ledger. Automation, along with the appropriate controls (verification and approval workflows), is critical to manage the volume and complexity of transactions most SFOs face.
4. *Aggregated data, analytics, and reporting:* The accounting package must be capable of providing family members with an aggregated view of their balance sheet, income and cash flows across multiple custodians and financial relationships. The package should also enable robust ad hoc reporting (including risk metrics and performance analytics) on each family member's comprehensive net-worth picture.
5. *Investment and analytics tools:* Increasingly, SFOs are either insourcing all or portions of the CIO function to gain greater control and transparency over their external investments. A SFO with any degree of in-house CIO function will require portfolio management and trading systems, as well as market data and manager research/due diligence databases.
6. *Infrastructure and security:* SFOs have traditionally self-hosted their data and technology solutions. In other words, they have acquired and managed their own IT equipment, software and processes. However, outsourced providers now offer cloud-based virtual hosting services in highly secure (SAS 70 Level II and ongoing security audit testing certification) and cost-effective hosting environments (with disaster-recovery support). SFOs should consider the cost/benefit and ongoing flexibility of the latest hosting options. SFOs also must consider their IT staff and organization: whether full time IT employees are needed or whether IT support can be adequately outsourced.

## TECHNOLOGY (CONT'D)

### *How to Meet Technology Needs*

Because IT is a mission-critical function for every family office, SFOs must take a strategic approach to designing, selecting, executing and maintaining their IT systems and resources. The task of developing a strategic plan for IT investment is complex. For this project, the SFO would be wise to engage a consulting group with specific experience designing IT solutions for SFOs.

1. *Design:* Whether upgrading an existing technology infrastructure or starting anew, an SFO needs to begin by assessing its technology needs and requirements, taking into consideration all the family members, business and investment entities, office staff and external advisors that must be supported. SFOs are increasingly adopting institutional-like requirements around their IT in terms of mobile and real-time online accessibility, tools for trading, analytics and research and, most of all, looking to achieve greater transparency. In particular, SFOs seek greater visibility into all of their direct and manager fund investments, real-time evaluation of the level of risk (through standard deviation, VaR, etc.) and look-throughs on asset class, holding and geographic exposure across investments. They also require monitoring of counterparty relationships and clarity about their global asset allocation at the entity, household and individual levels. These needs should all be reflected in the strategic plan. The strategic-planning process will include documenting, confirming and prioritizing needs and requirements, as well as developing due-diligence criteria for vetting potential solution providers. For example, the due-diligence criteria will likely include: insource vs. outsource, buy vs. build, firm size/tenure, security standards and reference checks. Ultimately, the process will lead to a request for proposal (RFP) and evaluation of service providers who meet the criteria.
2. *Selection:* SFOs that undertake an IT strategic-planning process leading to an RFP process have a myriad of options concerning the types of technology approaches they can take due to the ever-increasing number of vendor solutions emerging to meet the unique needs of SFOs. Some SFOs opt to leverage and integrate a number of disparate stand-alone vendors to meet their needs. For example, they may use a general ledger from a provider such as Intuit, QuickBooks or Microsoft, coupled with a reporting package such as SAP Crystal Reports, firms such as the Rackspace for Cloud hosting, financial administration from the bill pay capabilities of their banking relationship, etc. Others leverage a single provider to meet the majority, if not all, of their needs (examples include: Wealth Touch, Archway Technology Partners, and RockIT). Families with more limited current and forecasted needs, who believe they can ably execute and maintain their technology themselves, typically take the former approach. Those who need a more robust and scalable solution are increasingly partnering with single-source providers. SFOs should also be aware that a number of financial institutions have begun developing in-house capabilities or partnering with leading family office technology providers that offer families and SFOs IT solutions and related services such as access to market data and tools to manage risk, analytics and trading. Their technologies may be integrated into the family office's investment management and banking systems or on an à la carte basis. These options are often viable and cost-effective for SFOs (as they are typically subsidized or simply included for no additional charge as part of the overall services).

## TECHNOLOGY (CONT'D)

3. *Assessment of multiple-solution approaches and providers:* Garner detailed cost data in the evaluation process and benchmark the cost projections against peers.

When evaluating options, SFOs should select the solution(s) that provide for all of their requirements, allow flexibility and scalability for ongoing growth, require limited investment in maintenance and enhancements, and above all, ensure the privacy and security of the data and documents of the family. One of the objectives of the process should be to achieve collective buy-in across the staff and family members who will use the IT system.

4. *Execution:* Experience suggests it is the execution phase that creates the greatest challenges for SFOs, making ease-of-implementation a key priority in the selection process. It is not enough for an SFO to establish criteria, circulate an RFP, evaluate providers and choose a solution. Sufficient resources (including funds, time, focus and attention) must be allocated for implementing the chosen solution. Some SFOs have sufficient technical expertise to evaluate and select an in-house integrated solution leveraging multiple software providers, but most find it overly burdensome to implement, configure and customize, integrate and test the chosen solution. Other SFOs taking the in-house multi-solution approach will engage the software provider's professional-services

team or an external IT consultant to implement the chosen IT solution. Using an outside team for implementation can speed up the upfront implementation, but in the maintenance phase that can become costly over time. Those SFOs that opt to outsource their technology needs via a financial institution or third-party partner will often be able to get up and running more quickly than those that choose a more customized or in-house approach. SFOs with relatively uncomplicated reporting needs that they outsource to an external provider may be able to use modular options, or may choose to take advantage of the provider's configuration and customization abilities (at additional cost).

5. *Maintenance:* IT costs for SFOs vary widely depending on their IT needs, the number of entities, global reach, assets under administration (AUM), type of assets and liabilities, and the approach they take to the IT environment. The total IT budget will typically include: consulting support throughout the process, hardware costs, software license fees and annual maintenance costs (typically a percentage of license fees), outsourced operations fees (typically annual fees based on the complexity of services such as aggregated reporting or financial administration: e.g. number of entities, number of transactions, AUM, etc.), professional services configuration and customization of solutions, and hosting and data management.

## TECHNOLOGY *(CONT'D)*

For illustration purposes, based on industry research and interviews and surveys, SFOs can expect to maintain an annual IT cost base (software, operational outsourcing, hardware and hosting fees, and IT staff) of 10-15 bps of their AUM. The large majority of SFOs have moderate IT requirements. They can choose a basic general ledger and manually create reports via Excel, while maintaining a small or part-time IT staff. These SFOs typically have annual costs in the \$50,000-\$150,000 range. However, SFOs that have significant IT requirements often leverage one of the leading family office services-outsourcing providers (Wealth Touch, Archway Technologies, or Rockit for example), in addition to IT staff and other IT software and infrastructure. They might see total costs of \$3 million to \$ 4 million+, driven largely by the complexity of their balance sheets (the number

of entities, alternative investments, transaction and bill payment flow, etc.), customization needs and geographic dispersion.

For budgeting purposes, SFOs must consider ongoing upgrades (software and infrastructure), research and development costs, evolving requirements of the office and family members, the pace of change in technology capabilities, and the complexities of IT security and data management. Given these considerations, many SFOs that previously chose to handle IT in-house are increasingly looking to outsource their core IT needs to third-party providers, while maintaining a small IT staff to attend to less complex office and individual family member needs (e.g. property and personal use vehicle connectivity, security, mobile device management, etc.).

Chief  
Executive  
Officer  
(CEO)

Chief  
Investment  
Officer  
(CIO)

Chief  
Financial  
Officer  
(CFO)

Chief Legal  
Officer  
(CLO)

Director of  
Philanthropy

Director of  
Information  
Technology

Family  
Office  
Manager

Executive  
Assistant

Bookkeeper

Family  
Security  
Director

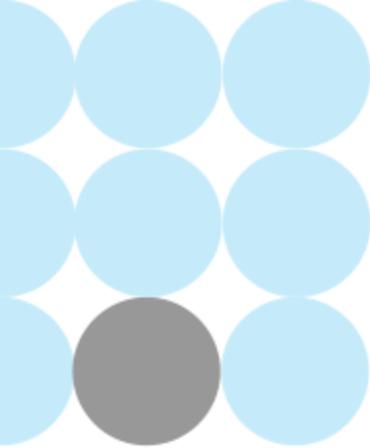
# SFO Personnel

CH-11

SFO PERSONNEL



*Given the importance of talent, the family should strongly consider interviewing and selectively working with one or multiple recruitment professionals that have experience with staffing senior SFO positions...*



## SFO PERSONNEL

With the mission statement, infrastructure and all the other pieces in place, the family is now ready to source and hire the SFO team.

With any position, there needs to be a clearly defined mandate and job description, a process for hiring and a due diligence investigation conducted for all potential hires. An employee handbook outlining protocols and procedures drafted by an employment attorney is recommended. In addition, the attorney needs to draft non-disclosure and privacy documents for all interviewees and further documentation, including employment agreements, for all hires.

### ***SFO Recruiters***

Given the importance of talent the family should strongly consider interviewing and selectively working with one or multiple recruitment professionals that have experience with staffing senior SFO positions.

### ***Compensation Specialist***

The SFO should engage a compensation specialist experienced in SFOs to assist in designing a compensation and benefits plan to attract, retain and motivate the most qualified candidates. More than simply base salary ranges, a compensation specialist artfully designs a compensation package that may include short and long-term incentive bonuses, carried interest opportunities, co-investment opportunities, qualified retirement plan offerings, insurance, and deferred compensation (409A) / phantom stock "golden handcuff" strategies. The right mix aligns interests, encourages long-term employment and productive relationships.

### ***Hiring the Team***

The most common SFO positions are outlined below. It is recommended to hire carefully and prudently to ensure the right personnel. A family should hire only the employees that are absolutely required initially, while outsourcing other functions. Over time, additional employees can be hired to replace outsourced services in a phased approach.

### ***Chief Executive Officer (CEO)***

The Chief Executive Officer (CEO) should be a business savvy, highly experienced professional who spearheads the SFO. Trustworthiness, leadership, communication and the unwavering ability to execute the family plan are essential. This is a role for an "Expert Generalist".

### ***Job Responsibilities***

Usually, the CEO is an experienced business professional and leader, with experience in the specific sectors in which the SFO invests. The CEO should have broad knowledge in finance, accounting and other technical areas; however, he or she does not have to be a true expert in every technical aspect of the SFO.

There are times when a very strong financial, accounting or legal background is preferable to business and leadership savvy. The right CEO for an SFO that runs multiple operating businesses will likely not be the right CEO for an SFO that invests primarily in public markets. There is no set formula and the SFO and its personnel must be customized per a family's needs.

## SFO PERSONNEL (CONT'D)

The CEO needs to be engaged in all aspects of the SFO, yet understand the importance of delegating (with oversight and accountability). The CEO needs to communicate on an on-going basis with the family and focus on the SFO's mission. This position answers directly to the family leaders and SFO board/committee.

For a CEO to be effective, he or she must have the ability to engage multiple family members and generations. Education and motivation of the younger generation will be critical to the long-term success of the family and the SFO. An understanding of family dynamics and the ability to facilitate critical family discussions effectively is also important.

A CEO should embrace modern technology as a family communication and business management tool to advance the success of the SFO in servicing the family.

Depending on the family's desires and expectations, a well-connected and business-savvy CEO can source business, real estate and other opportunities for the family.

Additionally, some families desire to seed fund and develop partnership interests with talented traders (i.e. hedge fund, private equity, etc.), as well as invest in emerging growth companies. A proactive CEO can help with sourcing and vetting these opportunities.

The CEO needs to carry out the mission and coordinate effectively all aspects of the SFO in a synchronized effort in fulfilling the family's

mission and vision. This is why leadership, business savvy and communication are a constant theme in the description and responsibilities of this role. Using a sports analogy, the family is the sports franchise "owner" and the CEO is the "coach" who needs to maximize and coordinate the efforts of all the "players" (i.e. employees).

### CEO Salary Ranges and Compensation

As of this writing (2012) the CEO in a small SFO commands \$300,000 - \$600,000 and in a larger SFO (or small SFOs with more dynamic requirements and/or family members that see the value in a great aspirational candidate regardless of cost) can cost anywhere from \$500,000 - \$2,000,000, inclusive of base salary, short-long term incentive bonuses, deferred compensation and, possibly, co-investing opportunities.

Experienced family office advisors and principles highly recommend aligning and motivating the CEO and CIO (and at times other positions) with co-investment opportunities to attract truly top tier talent. SFOs are competing with global institutions and so must have commensurate compensation to attract, retain and motivate the best talent. In a more dynamic CEO role, often with more direct and alternative investments, a commitment from the CEO to commit a percentage of their salary, bonus and/or deferred compensation to co-investment opportunities can be mutually beneficial.

## SFO PERSONNEL (CONT'D)

### *Chief Investment Officer (CIO)*

The other primary most senior position in an SFO is the Chief Investment Officer (CIO). Broadly this role falls into two camps: direct investors, and allocators to managers.

#### **True Investors**

Although less common than allocators, many larger families and entrepreneurial families see the value in being direct investors. This commonly means hiring a CIO with significant and successful direct investment and investment banking expertise. Direct investors typically scour the globe seeking opportunities, making larger and more long-term allocations than an allocator would typically make.

There are advantages to being a direct investor: keeping it all internal, controlling the investments and truly knowing what you own. Such an investment philosophy better controls taxes, the exit from such specific investments often receives more favorable capitals gains tax treatment, and can reduce investment-related expenses

For SFOs that seek to be direct investors, the CIO must have a very strong grounding in direct deals and investment banking, while outside managers are used to execute the other asset classes in the allocation that are not the direct focus of the CIO. Over time, the SFO may elect to build out internal expertise and take a more direct investing approach in these other asset classes as well.

#### **Allocators**

More commonly, SFOs are allocators. In this scenario the CIO needs to be first and foremost excellent at planning, organizing, sourcing (money managers and business opportunities), due diligence, monitoring, validating and reporting on all investment activities.

The CIO of an allocator SFO needs to source best-in-class money managers who carry out

the actual investing of a particular allocation, such as cash management, bonds, equities, real estate and commodities. In addition to (or instead of) traditional long-only managers, alternatives managers may be selected for a given allocation to add shorting, leverage and derivative strategies. The choices on money managers are generally presented and approved by the family leaders and investment committee.

#### CIO Salary Ranges and Compensation

For many SFOs, the CIO will be the greatest expense and also its greatest generator of value. Direct investor CIO base salaries can range from \$250,000 to \$500,000. However, factoring in annual cash bonus and deferred compensation from incentive allocations in deals sourced by the CIO can bring total compensation for a top direct investor CIO to several million dollars or more.

The CIO for an allocator SFO commonly falls into a base salary from \$200,000 - \$400,000 with bonuses ranging from \$200,000 to \$600,000. Some allocator SFOs provide deferred compensation in the form of incentive allocations, though such incentives are less common than for direct investor SFOs.

In addition, both CIO types are often presented with the opportunity to co-invest along side the family in addition to the before-mentioned family allocation as part of a deferred compensation plan.

Some SFOs *require* the CIO to co-invest, seeking full commitment into the investment and aligned interest.

Both the direct investor and allocator models will generally require the SFO to hire junior analyst(s) to source and evaluate opportunities. Total costs can vary and include some of the same structure of salary, bonus, deferred compensation and co-investment opportunity as in the CIO position. Salary levels + bonus typically total between \$150,000 - \$300,000 per analyst.

## SFO PERSONNEL (CONT'D)

### *Chief Financial Officer (CFO)*

For families with substantial business interests and/or significant personal, trust and partnership accounting requirements, the CFO is a highly desired professional addition to the SFO.

Traditionally, the candidate would have a strong combination of business and personal accounting background, preferably from the Big Four, as well as CFO experience in a successful private company.

It is not uncommon in scenarios where the family has multiple business interests for the SFO CEO, to be a CFO by training, with a very strong accounting background, and that accounting function remains core to their CEO duties.

### Job Responsibilities

The CFO position within an SFO differs from a traditional CFO position in other companies in that this position is also responsible for the personal tax issues and returns of the family members (including family trusts and partnerships). In large SFOs with multiple accounting personnel on staff, this may be under the supervision of the CFO.

The CFO should be experienced in complex multi-generational estate planning and needs to coordinate efforts with family legal council (whether in-house or outsourced). In certain areas of extreme tax specialty on these issues, the CFO should source appropriate accounting council and coordinate efforts.

The CFO should coordinate with the CIO on tax strategies for the family involving their investment portfolio. Tax overlay, capital gains decisions on sales, and many other aspects dictate that an efficient SFO has synchronized efforts among all personnel. Coordinated and integrated management is one of the primary benefits of establishing a SFO.

Many family leaders, as well as the CEO,

desire to constantly view updated cash flow reports, family income and expense statements, as well as financial statements (i.e. balance sheet). The CFO needs to perform this function and maximize utilization of the applicable infrastructure and technology systems at their disposal in preparing documents and reporting. If there is no CFO, then the CEO may take on this function directly or manage and compile the data from internal sources (CIO, bookkeeper, accountant, etc.) or outsourced providers.

Although sometimes sourced to bookkeeping and/or an executive assistant, the CFO may also handle bill paying for the SFO as well as the family.

The CFO commonly assists in evaluating business and real estate opportunities for the family, managing lines of credit, business and family loans, as well as cash distributions to family members.

A combination of business and personal financial management capabilities is highly preferred for a CFO, but if the family has a specific need for this role, the expertise of the CFO may reflect that need and then the CFO can coordinate hiring or outsourcing for the other areas of responsibility.

### CFO Salary Ranges and Compensation

Base salary frequently ranges from \$175,000 - \$250,000. Salary, combined with short-long term bonuses, deferred compensation and (although less common than the other senior positions noted) may include co-investing opportunities, combined compensation frequently will range between \$300,000 - \$550,000. SFOs created by financial figures frequently prefer CFO type "CEOs" so that the investing aspect remains the domain of the family principal; in such cases cash flow, business management / accounting, personal accounting, partnership and LLP interest as well as estate planning are paramount talents in the key executives.

## SFO PERSONNEL (CONT'D)

### *Chief Legal Officer (CLO)*

A Chief Legal Officer (CLO) is common in more substantial SFOs. However, as stated throughout, it is all about what is best for the family's needs. A key benefit for the family is building out an SFO organization that is highly customized.

#### Job Responsibilities

Families with highly complex and/or multiple business interests can benefit greatly from hiring an in-house legal professional. The CLO can evaluate business, real estate and complex investment opportunities from a different perspective than the other senior executives of the SFO. The CLO can negotiate business transactions and perform closings as well.

The CLO may be hired for both business and personal needs, or have a focus on the personal family needs, organizing and monitoring family trusts and partnerships, as well as trust & estates issues.

As noted earlier in the section on CFO, for the principal who remains an active investor (this is how their wealth was created), a highly talented and trusted attorney can be the choice of the CEO.

Families of significant wealth often need multiple specialized experts in business, patents, litigation, marriage law/pre-nuptials, trust & estates, etc. A well-diversified and connected CLO can manage these areas through internal staff and outsourced relationships and coordinate all efforts.

#### CLO Salary Ranges and Compensation

Similar to the CFO position, base salary frequently ranges from \$175,000 - \$250,000. Salary, combined with short-long term bonuses, deferred compensation and (although less common than the other senior positions noted) may include co-investing opportunities,

combined compensation frequently will vary between \$300,000 - \$550,000.

### *Director of Philanthropy*

Some families elect to create a Director of Philanthropy position. Most commonly, the family's philanthropic initiatives are directed through a separate entity, such as a family foundation(s), as opposed to directed by the family SFO.

It is always recommended to create separate entities for the SFO and the family foundation(s). Until a family's philanthropic mission and giving level is sufficiently expansive to warrant hiring a full time director, typically an engaged family member assumes the responsibility for the role.

Most families of significant wealth desire to improve their ability to identify and verify philanthropic opportunities for causes that are in alignment with their family values, investment focus, and personal passions. More often, the decision is based on passion and engagement, and less so by financial motivations.

#### Job Responsibilities

The family member or director selected to undertake this endeavor needs to understand how philanthropic endeavors fit within the family mission statement and business plan. Focusing active family members and engaging younger generations in their passions is critical to this role.

The Director of Philanthropy, along with a specific philanthropic advisory committee, sources and vets philanthropic opportunities aligned with the family mission statement and business plan. If the family seeks outside contributions, fundraising experience is preferred, with both traditional and online expertise. Executive management experience at a foundation or other charitable experience would be recommended.

## SFO PERSONNEL (CONT'D)

How the family should donate money to various organizations involves legal and tax implications. This is best left to experienced in-house or outsourced legal and tax professionals. Family foundations, charitable remainder trusts, and charitable lead trusts are all viable options. The Director of Philanthropy should assist in managing the process and distributions to charity (no matter the vehicle), as well as following through to gauge and measure the results.

Families are encouraged to organize applicable philanthropic giving vehicles only after they are fully committed to giving. The first step is to develop a philanthropic strategy built around the family mission statement and business plan. A truly engaged family member is often needed to drive this process. Philanthropy is an excellent way for younger family members to feel active in the family decisions.

Philanthropic giving goes deeper than tax benefits, and helps to teach the younger family members about compassion, giving and choices.

### Director of Philanthropy Salary Ranges and Compensation

If going outside the family to fill the position, salary can range from \$100,000 - \$200,000.

### **Director of Information Technology**

Large SFOs frequently hire a Director of Information Technology (IT). This position is vastly underrated and should be considered in all SFOs. This position advises and coordinates the technical infrastructure of the SFO. Many

SFOs have critical computer needs and highly specialized software requirements that all need to be supported and upgraded on an ongoing basis.

This position should positively impact family connectivity and communications as well as costs and control of the SFO.

This position can range from \$100,000 - \$150,000, depending on the complexity of the technology infrastructure required.

### **Family Office Manager**

The Family Office Manager is a unifying position that focuses on the SFO running as efficiently and effectively as possible. This position can involve HR functions (managing directly or in coordination with an outsourced firm). The Family Office Manager frequently is the conduit for the family and in-house staff and assists with coordinating outsourced professionals.

The Family Office Manager is commonly less defined by a traditional role than other positions. The position requires a person of diverse talents who learns quickly, is highly organized, and initiates solutions.

In smaller SFOs, the Office Manager will coordinate business and personal services for the family, in conjunction with the executive assistant.

This position can range from \$100,000 - \$150,000.

## **SFO PERSONNEL** (CONT'D)

### ***Executive Assistant***

Families can have one or multiple executive assistants depending on the size and number of employees of an SFO. Frequently, there is an executive assistant to the key family leader(s) and another executive assistant assigned to key SFO personnel.

The responsibilities of this position, particularly at the personal level, can vary widely. An executive assistant may act as the primary person coordinating household management and personal household staffing needs. They may manage multiple personal matters such as medical information, insurance, family vehicles, child care, and collectibles. They may be the primary conduit to the family leader for personal appointments, calendar management and children's needs.

Personal service and impeccable organizational skills are the hallmarks of this qualified professional. Being infallible under pressure and proactive in the identifying and meeting needs of the family or key SFO personnel. The executive assistant is excellent at communication (written and verbal) and proficient in technology.

This position can range from \$75,000 - \$135,000.

### ***Bookkeeper***

This position often supports the CFO, or in smaller SFOs without a CFO, may take on additional responsibilities. Managing payroll (or coordinating with an outsourced firm), handling receivables, paying business and personal family bills, coordinating medical and insurance claims, processing and coordinating mail (this may also be handled by an executive assistant) are just some of the traditional responsibilities of this position.

This position can range from \$50,000 - \$90,000.

### ***Family Security Director***

Many families are rightly concerned about security and are finding a need to hire a Security Director to manage and mitigate family residence, business, cyber and outside activity risks. If not a direct employee of the family or the SFO, the security director can be an outsourced specialist. In larger SFOs, the Family Security Director is also responsible for the security measures within the SFO, including offices, technology security and family safety.

This position can range from \$100,000 - \$200,000.

Trend 1

Trend 2

Trend 3

# Global Trends in SFOs

CH-12

GLOBAL TRENDS IN SFOS



*SFO success depends in large part on how effectively the family reevaluates and reexamines its goals and objectives...*

## GLOBAL TRENDS IN SFOs

**Trend 1:** *There is tremendous upside potential for successful development of family offices in strategic growth markets of Asian, Latin America, the Middle East and Russia that adapt to the following global and industry realities:*

- **A tectonic shift in family wealth** from mature to strategic growth markets. The nature of this new family wealth is, by definition, entrepreneurial.
- **75% to 80% of first-generation family wealth will likely be transferred** within the next decade.
- **Say adios to the traditional tax-neutral offshore family wealth model.** SFOs in strategic growth markets must vigilantly monitor the tax, legal and regulatory environment in jurisdictions where wealthy families maintain assets.
- **Family education and governance**, which enable families to link their values across generations, must become a priority for global SFOs.
- **Operational efficiencies** require families of means that have newer family offices to outsource and delegate critical portions of SFO management to highly trusted advisors.
- **Global political risk** requires entrepreneurial families to evaluate and manage, where possible, how certain geopolitical upheavals (such as the Arab Spring, for example) will impact their businesses and their SFOs.

**Trend 2:** *All global families—regardless of geography, industry, ethnic make-up, dynamics and individual objectives—share certain common imperatives to effectively develop relevant standards in the following areas:*

- Retaining top management talent
- Sustaining growth and profitability
- Optimizing global capital structure
- Adapting to evolving risk profile

- Building a cross-border family agenda
- Anticipating global political change
- Mapping tax, legal and regulatory priorities
- Evaluating strategic relationships
- Embedding family vision and values and an ethos of responsibility in the SFO culture

SFO success depends in large part on how effectively the family reevaluates and reexamines its goals and objectives, especially as family leadership changes, against this standard set of common imperatives.

**Trend 3:** *An SFO's approach, tone and achievable results vary in different parts of the world, requiring global advisors to adopt different strategies—especially in a post-financial crisis environment.*

Family governance and family wealth-planning strategies may be unfamiliar to SFOs in certain strategic growth markets, but they are increasingly aware of the adage of “shirt sleeves to shirt sleeves in three generations.” Many recognize the need for proper family governance and family wealth-planning strategies during the lifetime of the family wealth creator.

However, even after implementing a family governance system during the design phase of an SFO, families must constantly refine and reevaluate their values, vision and mission throughout the life of their SFO.

First-generation entrepreneurial wealth creators in strategic growth countries now demand independent, thoughtful and authentic advice and family client leadership from their bankers and advisors. Instead of hawking opaque financial products to meet artificially mandated sales quotas, everything now must be carefully and individually tailored to meet the complex business and personal needs of the families—which is the way it should have been all along!

The Modern Single  
Family Office 1

The Modern Single  
Family Office 2

The Modern Single  
Family Office 3

# SFO Profiles

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SFO PROFILES



*A full-time general counsel with deep experience on direct deals and hedge funds oversees the SFO's global dealings, direct investment and seeding activities...*

## SFO PROFILES

### *The Modern Single Family Office 1*

This family office was created in 2003 in New York by a successful proprietary quant trader at a large global bank. Its primary mandate was to aggressively manage his assets by pursuing exceptional long-term returns. Currently in his late 40s, this wealth creator is married with two young children.

The SFO employs 11 individuals. The CIO, a former hedge fund manager, formalized the SFO's investment philosophy: to create positive absolute returns that have low correlation to major market indices, by focusing wholly on generating alpha. From time to time, tactical bets are taken on directional long or short opportunities. The CIO hired an analyst to custom design and maintain a technological platform for account aggregation, reporting and an analytical risk management tool, plus top-level researchers, operations people and IT professionals. A full-time general counsel with deep experience on direct deals and hedge funds oversees the SFO's global dealings, direct investment and seeding activities.

The top-tier professionals, who have been through a few market cycles, know how to manage risk and anticipate reversals. They receive attractive compensation, including base salary and a discretionary bonus. Senior managers receive phantom stock. Profit participation consists of half cash and half in an investment with the fund which vests in three years, when they achieve and exceed their investment activities. All investors, principal and outside the investment vehicle, pay full fees, which are currently 1 and 10.

The SFO's investors consider multiple investment opportunities several times a year

and travel the world to narrow their ideas down to two or three core themes for which to do "deep dive" research. In the spring of 2011, most of the portfolio was allocated as follows:

- 18% in mortgages and credit,
- 15% in equity-event driven and equity long/short,
- 14% in macro/emerging markets,
- 8% in quant strategies
- 6% in direct positions and hedges including highly convex option trades as protection from disruptive market events
- 40% in real estate, private equity, seed deals and carbon credit arbitrage

The SFO operates with a central prime broker and works with 15 smaller niche-focused hedge-fund managers who traffic in less crowded spaces and have most of their personal wealth invested in their funds. These relationships come with advisory board seats, favorable terms and high transparency.

Internal talent with connections to the industry helps the SFO source smaller managers through fellow SFOs, traders, analysts at institutional banks and other hedge fund managers. The SFO opted not to bear the cost and time of hiring direct and internal investment teams, but it has pulled investment teams from other institutions, such as one team of Ph.D.s lifted out to do a specific trading strategy. After the team was spun out, the SFO remains part owner of this independently operated investment firm.

Family principals will someday step back from the risk as the importance of preservation, charitable giving and their own legacy come to the fore, but for now they are fully engaged with the market.

## SFO PROFILES (CONT'D)

### *The Modern Single Family Office 2*

A successful entrepreneur created this family office in 2005 after the sale of his insurance company. He hired a dynamic individual who is sophisticated in finance and entrepreneurial pursuits as CIO, and who is a first-generation American and second-generation of wealth.

The CIO's father emigrated from Asia in the 1970s and launched a successful medical services company, which he sold in the 1980s. The family managed its own assets initially and became appalled by the lack of transparency and high fees associated with equity trading. The founder created a software program that would consolidate all public equities listed on global stock exchanges and founded a broker-dealer and clearing firm that they marketed to active day traders in the late 1990s, which they sold for a significant sum in the early part of this century. The founder's younger son created and directed the family's SFO and focused on public securities. The older son worked on direct private deals. The younger son also began actively managing and co-investing his own family's assets with those of this wealth creator.

The SFO's 30 employees include investment and foundation talent, a CFO, IT professional, bookkeeper and in-house legal counsel. The CIO's unique compensation includes base

salary, a bonus for a part of the portfolio in which he has full discretion, a piece of the carry, and a carry on the overall portfolio performance if it beats internal benchmarks.

They actively maintain relationships with 11 global banking institutions (while focusing on four key relationships) to access top bankers, researchers and traders, and for benefits such as custody, lending, research and cash management, although the office rarely participates in opportunities that the banks recommend. Instead, the banks' talent helps the SFO flesh out ideas and collect the consensus on the Street. A global trusted network of fellow SFO investors, bankers, traders, hedge fund managers, VCs and angel investors invigorates the office with new investment ideas. The SFO directly seeds emerging hedge fund managers, as former prop desk trading talent are in transition due to the regulatory climate. The CIO talks weekly with many members of the investment committee—key executives in the SFO, select hedge fund managers, bankers, traders and college professors—and presents the consensus direction to the wealth creator, who is the final decision maker. The CIO has discretion over part of the portfolio, and is accountable for the success or failure of his decisions.

## SFO PROFILES *(CONT'D)*

### *The Modern Single Family Office 2 (cont'd)*

With minimal direct international exposure, the SFO owns stocks of companies with strong international exposure. It has no current direct allocation to hedge fund managers in emerging markets, due to concerns about hedging risk in such portfolios. The SFO maintains a small allocation to commodities, while markets of concern include the opaque fixed income market, U.S. farmland, Australian real estate and gold and coffee bean prices. The SFO elected to redeem equity positions allocated to hedge funds, as those managers were not active or fluent in shorting.

#### *Current Allocation Includes*

- 20% cash
- 20% fixed income
- 30% equities
- 10% real estate
- 15% direct private equity
- 5% short-term position

Favorable terms on fees on hedge fund investments are explored, but transparency and liquidity are paramount. The management fee for smaller managers only covers expenses, with an incentive fee tied to success of the investments. Because hedge fund managers achieve alpha and outsized returns early in the hedge fund's life cycle, the CIO makes managers put up first loss of capital where possible, to align them with the interest of the investors.

While the two families in this multi-family office share risk tolerance, levels of service, expenses, vision and purpose, its challenge will be to integrate the wider families as the generations age and the drive for absolute returns shifts to wealth preservation.

## SFO PROFILES (CONT'D)

### *The Modern Single Family Office 3*

This European multi-generational SFO emerged after the primary family business was liquidated. The original patriarch mandated that the family office's directors invest a significant percentage of the SFO's assets in private and proprietary business structures providing a high degree of liquidity.

A dedicated third-party management team distributes earned income from various businesses to family members and actively supports and directs the businesses that generate consistent cash flow. This SFO does not permit allocations of capital to outside or third-party money managers, which has proven less volatile than beta instruments and has generated substantial returns on capital invested. One of its key allocation requirements is the ability to liquidate the portfolio without having to rely on the sale of a core business or asset.

Simple strategy guidelines were used with each family beneficiary, and their collective needs were broken down into subsets. Direct beneficiaries and representatives for beneficiaries provide groundwork for good governance. Representatives are often a husband or wife who represents a family of five that is entitled to one share of the distribution, to allow for one voice, preferably by bloodline. Mandatory prenuptial agreements reduce potential future dissent and the consequence of losing one's beneficial stake.

The SFO's eligible voting members elected a five-person board. They serve as gatekeepers to whom management reports and serve two-year terms. Board members generally refer all business issues to management, who present business solutions for the family office. Only family members active in management can be solicited for anything and can direct matters to the third-party management team.

Expansion of beneficiary-eligible family members across many generations has forced the need for an extensive and comprehensive infrastructure. The SFO needs automated financial reporting and forecasting with footnotes in five languages. At the core is an operations program hosted across multiple international servers, which integrates all family office support needs including travel, common asset usage scheduling, individualized security, family and person-specific notifications, health and emergency care, general and individual financial reporting and banking access. The SFO was designed as a focal point for a close-knit, cohesive and loving group, with emphasis during its creation on proper governance. The organizational structure includes rules of governance that take precedence over the resulting financial entities and dictates the best utilization of the financial structure. The SFO's complex priorities, solutions and goals emphasize wealth creation and distribution events to support multi-generational family members.

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## SFO PROFILES *(CONT'D)*

### *The Modern Single Family Office 3 (cont'd)*

This SFO eschews Wall Street's attempts to force family offices into hedge funds, private equity and fixed income. Instead, it takes a grassroots approach to owning businesses and targets the family's experience and skill sets to enhance rates of return instead of taking a shotgun, diversified portfolio of beta investments.

The main consideration before investing is taxes, which has jurisdictional implications and financial structure consequences. Estate planning for future generations avoids costly disputes and is constantly evolving based on tax changes. The family believes sustainable charitable evaluations are as important as investment allocations and does not solely rely on consistent donations each year.

The SFO insists on annual audits and third-party administrators. Professional management has no access to any accounts except petty cash. Its trusted regional law firm helps reduce costs, negotiates fees and places caps and parameters. The SFO employs several firms to keep each on its toes and never allows its lawyers to control anything or have any discretion. The SFO has strategically outsourced personal security protocols with regard to health, natural disasters, travel, kidnapping, extortion and media management.

International families are complex and keeping assets growing for a large family is risky. This office has found a way to successfully manage both issues.

# Conclusions

For families with substantial financial resources, an SFO undeniably provides the ultimate in control, privacy and customization for optimizing the family's wealth, legacy and resources.

The collapse of renowned public and private financial institutions, the panic in the global economy, outright allegations of fraud among financial superstars, and the proliferation of conflict-ridden investment vehicles make it imperative for high net worth families to consider creating an SFO to control a family's destiny and build upon a legacy of sustainability.

The CEO of a corporation does not run a multi-billion dollar business alone or make every decision in finance, accounting, legal, marketing, and other areas. Similarly, the SFO should be viewed as a way for the family to build a talented, skilled and experienced team to manage its wealth in all its forms.

The ability to create a custom SFO has never been easier with the proper advice from dedicated SFO organizations and consultants. New technology, selective outsourcing and the vast pool of talented individuals available in the marketplace allow for a family of significant wealth to create an SFO more efficiently and effectively than ever before.

Creating a well-run SFO is a smart business decision. As with any business, it requires a clear mission, a fully thought-through business plan and an understanding of the resources available internally and on an outsourced basis in the SFO marketplace. An effective SFO is a highly valuable asset that preserves and creates wealth for the family.

It is important that the family electing to move forward with its own SFO follow all critical steps, including hiring trusted consultants to help them design the SFO and execute the plan. The family needs to be 100% dedicated to the creation and management of its SFO. A half-hearted attempt won't lead to a long-term positive return.

Generations from now, after business interests have been liquidated and/or greatly dispersed and individual investments have been eclipsed, the SFO stands as the family's unifying entity, signaling a healthy and productive path for those that follow. The family SFO stands as an emblem of the values established and nurtured by the family for the world to see.

# Authors

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Angelo J. Robles is the Founder and CEO of the Greenwich, Connecticut-based Family Office Association (FOA), a global membership organization that provides private educational and networking forums with top experts, plus thought leadership and proprietary research about and for multiple generations of wealthy families and the professionals who run their single family offices.

A member of the Princeton Council on Family Offices and the NYU Stern Family Office Council, Mr. Robles has a long track record of leadership positions at top financial service companies, including UBS. Before launching FOA, he engaged in several successful entrepreneurial ventures: He founded the New England chapter of the Hedge Fund Association (where he also served as president) and pioneered online retirement planning for Fortune 1000 executives with two Internet startups: 401KRollover.com and IRARollovers.com.

At FOA, Mr. Robles has spearheaded a series of provocative and groundbreaking Q&As with industry experts, and white papers that address the unique needs of ultra high net worth families in the U.S. and around the globe. These publications provide in-depth case studies of vibrant, multi-cultural single family offices as well as sophisticated approaches to wealth protection and growth, philanthropy, technology, social media, legal, tax, insurance and lifestyle concerns.

Mr. Robles has written several books and articles, and has appeared on *Bloomberg Radio & TV* and quoted in *Thompson Reuters*, *Institutional Investor*, *Opalesque*, *Registered Rep*, *HFM Week*, *Investment News*, *EurekaHedge*, *The Luxury Institute*, *Private Asset Management*, *The Greenwich Times* and many others.

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Amy Renkert-Thomas is the Joint Managing Director of Withers Consulting Group, an international consultancy helping families and entrepreneurs around the world with complex interests to articulate what future success means to them and to decide what they need to do to achieve it. In 2009 Amy founded Fisher Renkert Consulting LLC, a family enterprise consulting firm focused on governance architecture and family enterprise succession planning. Prior to developing her consulting practice, Amy was a Partner at Withers Bergman LLP, an international private client law firm, where she co-chaired the firm's Family Office Group. She ran her family's 5th generation manufacturing company from 1990-2002 and currently serves as an officer and director. Amy received her BA from Yale, her JD from Harvard Law School and her LLM in taxation from Case Western Reserve University School of Law. Amy resides in Woodbridge, Connecticut

## FOA would like to thank the contributions of:

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# Footnotes

<sup>1</sup> Raphael Amit, Wharton School, University of Pennsylvania; WHARTON GLOBAL FAMILY ALLIANCE: Single Family Offices: Private Wealth Management in the Family Context 2004.

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