

Table of contents

I. Introduction	7
1. What is a family office?	7
2. The increasing popularity of the family office	9
II. How to use this Special Report	11
III. Should I have a family office?	13
1. Structure	14
2. Key questions	14
2.1 What does being wealthy mean to me and my family?	14
2.2 What aspirations do I have for my children?	15
2.3 What legacy would I like to leave behind?	15
2.4 How close would I like my family to be in 20 years' time?	15

- 3. Alternatives to an SFO 17
 - 3.1 Join a multi-family office 17
 - 3.2 Become a client of an institution’s family office practice 17
 - 3.3 Form a virtual family office 17
 - 3.4 Form a ‘hybrid’ 18
 - 3.5 Partner with a multi-family office 18
- 4. The need for a family office 18
- 5. It’s not all about assets 21
- 6. The benefits of having a family office 22
- IV. Preliminary matters 25**
 - 1. The nature of the capital to be managed 26
 - 2. The purpose of your family office 27
 - 3. The scope of the family office 29
 - 4. Will the family play a role? 29
- V. Starting the process 33**
 - 1. The priorities 33
 - 1.1 Short term (first three months) 34
 - 1.2 Medium term (twelve to eighteen months) 35
 - 1.3 Long term (continuing obligations) 36
- VI. What will the family office look like? 37**
 - 1. Services 38
 - 2. Location 38
 - 3. Name 38
- VII. What will the family office do? 39**
 - 1. To build or to buy? 39
 - 2. Investment management and oversight 40

3. Cash flow management and projections	40
4. Consolidated financial reports	40
5. Budget preparation, for all family members	41
6. Bank financing	41
7. Residences management	41
8. Yacht and aircraft management	41
9. Art collection management	42
10. Risk management procedures and policies	42
10.1 Health and life insurance	42
10.2 Personal security, including kidnap and ransom coverage	42
10.3 Reputational risk and social media policies	42
11. Coordination of estate planning and life insurance	42
12. Bill-paying	43
13. Reporting and compliance	43
14. Hiring, overseeing and firing	44
14.1 Household staff	44
14.2 Other staff	44
15. Record-keeping	44
16. Tax returns and projections	44
17. Trust oversight	44
18. Philanthropy	45
19. Family education	45
20. Family meetings	46
21. Lifestyle and concierge services	46

- VIII. Location** 49
- IX. Staffing** 51
 - 1. Recruitment 51
 - 2. Remuneration 53
- X. Cost of running the family office** 55
 - 1. Start small 57
 - 2. Benchmarking the costs 57
 - 3. Family member funding – service costs versus contributions to corpus 58
 - 4. Outsourced investment management 59
- XI. Managing risk** 61
 - 1. Fiduciary liability 64
 - 2. Kidnap risk protection 64
 - 3. Health and wellbeing 64
- XII. Infrastructure** 65
- XIII. Governance** 69
 - 1. Board of directors 70
 - 2. Committees 70
 - 3. Family council 71
 - 4. Reporting to the family 71
- XIV. The life cycle of a family office** 73
- Notes** 75
- Additional resources** 76
- About the authors** 78
- About Globe Law and Business** 80

III. Should I have a family office?

As the concept of the family office has gained currency, individuals considering how best to manage their wealth have been asking with increasing frequency, “Should we have one?”.

It is an important question to ask before committing time, energy and resources to the establishment of what may prove to be something that doesn't meet the family's needs.

Recognising the symptoms

International accounting firm Armanino has five simple statements against which to assess whether it might be time to consider a family office:⁷

- 1. **Too many go-to advisers:** You receive countless emails, phone calls and communications from your trusted legal, financial and investment advisers. You're starting to become overwhelmed.*
- 2. **Financial chaos:** You have numerous bills, file folders, stacks of paper, jammed office drawers and multiple household employees. It's becoming a real struggle to keep track of everything. You need help with your tax payments and filings, insurance renewals and coverage assessments, capital calls and commitments and collectibles management.*

*3. **Professional vs personal:** You trust your employees and you allow them to help manage portions of your personal life, giving them access to your finances and personal net worth, but haven't done anything to protect yourself against unauthorised use of this access.*

*4. **Trustworthy decisions:** You have a number of trusts created to protect your wealth, but you're unsure if your trustees are aware of the responsibilities and requirements needed to fulfil their fiduciary duties.*

*5. **Family education:** As your family matures, you want your spouse and the next generation to become actively involved in learning how you manage your wealth, but you're not sure where to begin.*

If you recognise any of these 'symptoms' you may want to assess the benefit of a family office as the cure.

1. Structure

Before embarking on an exercise to see whether it is worth setting up a family office, we need to understand what a family office is or, equally important, what it is not. It does not have a defined legal structure, legal identity or specific traits or characteristics that provide some extraordinary benefits or unique opportunities.

Unlike a corporate entity, which offers limited liability and asset protection for shareholders, or a family trust, which provides trustees with a defined set of rules – in a trust deed – to detail how they should deal with property on behalf of beneficiaries, the family office does not have a prescribed form.

Instead, the structure of the family office is for the family themselves to define, based on what they want their wealth to be used for.

2. Key questions

It is helpful to start by asking a few key questions.

2.1 What does being wealthy mean to me and my family?

For many wealthy families there is a clear understanding of what constitutes their wealth – a particular commercial property, for example, is owned by XYZ Limited, the family's investment vehicle.

What may be less well defined or understood is why. To what end do we possess wealth? Being quite clear as to what being wealthy offers to you and your family helps to define how you might think about the management of your wealth, and the possible role of a family office.

If you see the purpose of wealth as being its preservation for the benefit of your children, their children and future generations, the mechanism you need to put in place to help realise this ambition will be key.

2.2 What aspirations do I have for my children?

We all want the best for our children regardless of financial resources available to the family. However, it is reasonable to be concerned as to the impact upon them of having access to money and wealth.

How you see that wealth benefitting your children and grandchildren will go a long way to determining whether an SFO is what you need and, if so, what exactly it will do.

2.3 What legacy would I like to leave behind?

One of the benefits of financial success, particularly if you've been responsible for it, is the ability to define your own legacy and use your wealth to help do so.

That may be in the form of philanthropy – the funding of hospitals and universities, for example – or making provision for what the family does in the future and to what extent its activities are inspired by your story.

Whatever you define as your legacy, there may be a need to ensure that it is preserved and protected.

2.4 How close would I like my family to be in 20 years' time?

This question is a good one because it focuses on the future of the key element of a family office – the family themselves. Wealth doesn't determine whether your children's children get along as cousins but it does at least help the family to come together around a sense of shared ownership. In the absence of other forums, the family office can give impetus to the idea that the family should remain close across generations, and provide the practical means by which that is achieved.

If, by an examination of these questions, you become convinced of the benefit of the family being engaged across generations as the joint owners of the family capital, it is very likely that you will see the need to create a family office.

In conclusion, therefore, a need for a family office becomes most profound when:

- the family get older without there being a formal succession process;

- the family want to remain close as joint owners of capital;
- the family appreciate the need to be educated about the management of their wealth;
- the family are unlikely to have a second ‘liquidation event’ necessitating the careful management of existing resources; and
- the family’s affairs are complex and would benefit from being coordinated across professional service providers.

By way of recap, you might like to consider the following table in assessing your own family’s needs and objectives.

Table 1. Needs and objectives

Step	Initial consideration	Objective	Outcome
Define the family’s goals and objectives	What does the family want to do and why does it want to do it?	Gain consensus as to the benefits of being a family whose affairs are managed collectively	Provide the basis for decision making
Assess current position	What is the current position?	Articulate how service is currently delivered to the family	Define what works and doesn’t work, what fits and doesn’t fit
Outline the needs of the family	What services does the family need?	Summarise the role that would be played by a family office	Highlight service requirements
Define a new structure	How are the service needs of the family met?	Begin designing the structure of a family office	Enable a broad business plan to be put together
Set goals and objectives for the family office	How is the ‘performance’ of the family office measured?	Define the family’s expectations as regards overall costs of delivery and revenue performance	Develop a coherent strategy by defining the capacity of the family office to deliver services
Communicate strategy to stakeholders	How is the transition from the current view to the better view to be managed?	Develop a plan for implementation	Set timeframes and allocate responsibility for moving to a new regime