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The Rise of the Multi-Family Office

By Pamela J. Black
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As many single-family offices remain concerned about their long-term sustainability, money is pouring into multi family offices, according to the Family Wealth Alliance.

Some of that money is coming from merging single-family offices, but some of it is coming from banks and brokerages.

Single-family offices are hard to track because they seek privacy and most are quite unique, "born" as they are within a family business and shaped by that particular business and that particular family, said Bob Casey, a managing director of the Family Wealth Alliance in a recent webinar on [Advisors4Advisors.com](#).

But according to The Family Wealth Alliance, there are 2,500 to 3,000 single-family offices with more than \$1.2 trillion in total assets.

Thirty-five family offices participated in a study conducted by the alliance. They had median assets of \$429 million and mean assets of \$605 million. Single-family offices generally range in size from \$51 million to 2.1 billion.

"What the wealthy want," Casey said, "is objective advice, stability of relationship management, stability of ownership, open architecture, competency and consistency of delivery and breadth of service offerings."

He reported that single-family offices provide a range of services from asset management and estate planning to "aircraft services" and "household employee administration." Families lean heavily on single-family offices for family counseling and education.

Many family offices are challenged right now. "Almost six in 10 were somewhat concerned or very concerned about their sustainability," Casey said. That is, they worry about "the financial viability of the SFO, the family's sense of cohesion and commitment and the ability to transition to each new generation of family leadership."

Single-family offices need effective governance to survive in the long term. That means taking control out of the hands of the founding patriarch and matriarch and "spreading it around" within some kind of formal governance structure, Casey said.

"It's very hard to hire a CEO, you need someone with a lot of experience who needs to be able to put up with the family members," he said.

Families also face the problem of generational decay, or the fact that with each generation, the family gets bigger and more dispersed, and the fortune may not go as far. Single-family offices are also concerned about fiduciary compliance and regulatory issues.

In the past, the only solutions for the ultra-wealthy were to start a single-family office or work with a private bank. That is no longer the case, Casey said. Family offices are merging, outsourcing and becoming multi-family offices.

Multi-family offices are currently in the wealth management sweet spot. They are public companies so they are less private than single-family offices, but they have specialized in multi-generational and family issues and comprehensive wealth management. The first family office, Casey said, was U.S. Trust, which was founded in 1853 by a group of wealthy families who couldn't find the services they wanted.

There are currently 150 multi-family offices nationally with approximately \$400 billion in assets under management, according to a study conducted last year by the Family Wealth Alliance. Multi-family office relationships ranged in size from \$36 million to \$52 billion, with a mean relationship of \$51.5 million.

The most renowned U.S. multi-family offices are the Geller Family Office Services in New York City, where Mayor Bloomberg keeps his money, Athena Capital Advisors in Lincoln, Mass., and U.S. Trust's family office in New York, BNR Partners in Chicago and Northern Trust in Chicago.

Most multi-family offices are an amalgam of single-family offices, RIA wealth management groups, or wealth management teams that have left banks and brokerage houses. Casey said wirehouses and big banks are "bleeding" wealthy clients to multi-family offices and existing single-family offices are turning to multi-family offices for help.

The biggest challenges for multi-family offices are more managerial, but all those surveyed were very bullish on their growth potential.

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Why do you think we are seeing more multi-family offices?

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




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