

Friday, April 23, 2010, at 4 p.m. EDT

# Financial Advisor Webinar Series

**Robert Casey**

The Family Wealth Alliance LLC

***Trends In Family Offices***

Download slides at <http://bit.ly/familywealth>

 **advisors4advisors**

Andrew Gluck, Moderator

Editor, [Advisors4Advisors.com](http://Advisors4Advisors.com)

# Upcoming Webinars



Diane MacPhee	4 Problems Plaguing Advisors & Their Solutions	April 30
Duane Thompson	Financial Services Reform Update	May 7
Advisor Products	Search Engine Optimization via Advisor Products BackOffice	MarketingSmart Webinar - May 12
Scott Farnsworth	Deeper Connections With Clients Through The Power Of Story	May 14
John Anderson	Successful Marketing For Financial Advisors	May 21

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## • This Week's Blog Posts

- The Goldman Scandal, Regulatory Reform, And Advisors (Andrew Gluck)
- Care Planning For High Net Worth Families With Disabled Members (Kristen Jankowski)
- Do Questions Matter? (Scott Farnsworth)
- Driving A Technology ROI (George Tamer)
- More On Fiduciaries and 12(b)1 Fees (Mary Rowland)
- A Business Case For Using Social Media (Andrew Gluck)
- Ban Printing Documents In Your Practice (Bill Winterberg)
- Spending: An Important Factor In Client Planning (Kristen Jankowski)
- Fiduciary Hierarchy Continued (Charles Epstein)
- Incentive Compensation (Sheryl Rowling)
- Your Ideal Client (George Tamer)

## • 30+ Hours Of CFP CE Credit On Webinar Replays

- Advisor Compliance Update
- Managing Portfolio Risk With Stock Collars
- Secure Solutions To Protect Client Data And Comply With New Privacy Laws
- How To Talk To Clients In A Post-Crisis World
- Roth IRA Conversion Techniques

# *“A4A cut my research time in half”*

*Kathleen Iola  
Iola Financial Group*

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- 2,000 advisors rely on A4A’s Daily Digest
- We assemble your reading list from across the Web
- Mary Rowland, Bob Casey, Andy Gluck scan 60 sites daily

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## SAMPLE DATA SECURITY POLICIES & PROCEDURES FOR FINANCIAL ADVISORS

PREPARED BY: BRIAN EDELMAN, CEO, FINANCIAL COMPUTER SERVICES

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### Fiduciary Fitness Program: Report Card

Action Items	Reference Materials	Documentation	Requirements Met	Comments
Fiduciary Education	Reference Guide: Section 2 All Education Modules	Education Module Checklist	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Selecting and Monitoring Fiduciaries Identifying and Monitoring Parties in Interest	Reference Guide: Section 3 Education Modules 1, 2 & 3	Documenting Fiduciaries, Consultants and Service Provider Responsibilities	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	Reference Guide: Section 3 Education Modules 1, 2 & 3			
Selecting and Monitoring Service Providers	Reference Guide: Section 3 Education Modules 4 & 5	Selecting and Monitoring: Consultants, Plan Providers, Auditors Vendor Analysis & Benchmarking Compensation Disclosure	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Selecting and Monitoring Plan Investments	Education Module 6	Investment Policy Statement	<input type="checkbox"/> Yes <input type="checkbox"/> No	
		Investment Scorecard <sup>SM</sup>	<input type="checkbox"/> Yes <input type="checkbox"/> No	
§404(a) & §404(c) Compliance	Reference Guide: Section 4 Education Module 7	§404(a) & §404(c) Checklist	<input type="checkbox"/> Yes <input type="checkbox"/> No	
		§404(c) Notice & Policy Statement	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Maintaining a Fiduciary File	Reference Guide: Section 4 Education Module 8	Maintaining Your Fiduciary File Checklist	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Investing in Employer Securities	Reference Guide: Section 5 Education Module 9	§404(c) Notice and Policy Statement Addendum	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	Consider Hiring Outside Independent Fiduciary to Handle Securities
Minimizing Risk: Fidelity Bond and Fiduciary Insurance	Reference Guide: Section 6 Education Module 10	Copy of Bond	<input type="checkbox"/> Yes <input type="checkbox"/> No	
		Copy of Policy	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Claims and Appeal Procedures	Reference Guide: Section 7 Education Module 11	Documentation of Claims and Appeals (actual events) <u>Annual Plan Review</u>	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Plan Demographic and Document Review	Reference Guide: Section 7 Education Module 12	Sample Notices: ACAs, QACAs and EACAs, Initial QDIA, Annual QDIA, Safe Harbor and Summary Annual Report	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Prohibited Transactions	Reference Guide: Section 7 Education Module 13		<input type="checkbox"/> Yes <input type="checkbox"/> No	

RPAG-2009-21 To learn more about The Fiduciary Fitness Program, call (877) 360-2480 or visit [www.retirementplanadvisorygroup.com](http://www.retirementplanadvisorygroup.com)

## Fiduciary Report Card and 401(k) First Meeting Questions

- Key questions to ask a prospective 401(k) client
- Identify issues most important to a plan sponsor
- Plan sponsor checklist
- Great first meeting tool
- Show depth of services
- Offer value-added services rather than products

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## Tasks Flow Chart & Worksheet



An Advisor's Checklist for Creating a Detailed [Performance Reports Workflow](#)

This Performance Reporting workflow has been designed to fit seamlessly into your CRM and work with any Portfolio Accounting System.

The worksheet represents the steps and outcomes every advisor faces regarding their performance reporting process. Use this worksheet with your firm by assigning specific tasks to individuals in order to customize your own Performance Reporting Workflow.



Task	Assigned To	Target Date	Status	Results
<b>DAILY</b>				
Download data files from Custodians, Brokerages & Data Providers				Daily & Weekly: Ability to run ad-hoc reporting from your system
Retrieve positions, transactions, prices, name				
Apply & Reconcile new products, positions, transactions, prices, name, asset comparison				Real-time consolidated web display of client data
Audit new product classifications and price and performance (scrubs)				
Transactions (Credits = Debits)				
Prices (missing)				
Fixed Income Pricing				
<b>WEEKLY</b>				
Audit Reversal Transactions				
Audit Corporate Actions Applied correctly				
Audit Management Fees Applied correctly				
Audit Fixed Income – Coupon Rates				
<b>MONTHLY</b>				
Audit Performance Anomalies (composites)				Monthly: Composites and month-end reporting.
Audit Asset Value Comparison				
Audit Firm-level data (Fee & Payout Schedules, mgt styles, models, investment objectives, product classifications)				Monthly Advisory fee billing
<b>QUARTERLY</b>				
Audit Performance Anomalies				Quarterly: Quarterly Performance reporting, tax reporting and renewal fee billing.
Audit Quarter-End price				
Audit Firm-level data				
Audit Report Settings & Benchmark Blends				

## Portfolio Reporting Workflow Worksheet

- Template process
- Input into your CRM
- Assign tasks to staff
- Track reporting process
- Staff accountable

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## Robert S. Keebler, CPA, MST: The Roth IRA Conversion Decision

### Should a client convert to a Roth IRA?

**A Roth conversion likely not beneficial**  
Run the numbers

**A Roth conversion could be beneficial**  
Run the numbers

**A Roth conversion will most likely be beneficial**  
Run the numbers

Yes → Does client anticipate being in a much lower marginal tax bracket in future?

Yes → Will client die with a substantial charitable bequest?

Yes → Does client need the IRA funds to meet annual living expenses?

Yes → Does client have outside funds to pay tax on the conversion?

Yes → Will the client incur an estate tax upon death?

Yes → Does client have a long time horizon to let the funds grow?

Yes → Does client plan to utilize their Unified Credit or GST exemption (if applicable) with IRA assets?

Yes → Does client have favorable tax attributes that can help offset the majority of the conversion income?

### Bob's Roth Conversion Observations<sup>SM</sup>

1. Every incremental dollar converted is slightly less advantageous than the dollar before it until deductions are phased out and the top tax bracket is reached.
2. Always convert more than the initial numbers suggest and recharacterize if warranted.
3. Recharacterize depressed accounts in November of the year of conversion and reconvert in January.
4. The Roth IRA is the most powerful asset with which to fund a GST exempt trust.
5. There is no bright line rule or "optimum" conversion amount for all individuals, considering that each individual's financial, income tax, and wealth situations are different. If several of the ten reasons are met, it is likely the individual is a good candidate for a Roth IRA conversion.
6. Partial conversions generally provide a better quantitative result than 100% conversions.

### 10 Reasons to Convert to a Roth IRA<sup>SM</sup>

1. Taxpayers have special favorable tax attributes, including a high basis ratio, charitable deduction carry-forwards, investment tax credits, net operating losses (NOLs), etc. *This is because these attributes reduce the effective tax rate of the conversion.*
2. Suspension of the minimum distribution rules at age 70½ provides a considerable advantage to the Roth IRA holder. *This allows for additional tax-free deferral.*
3. Taxpayers benefit from paying income tax before estate tax (when a Roth IRA election is made) compared to the income tax deduction obtained when a traditional IRA is subject to estate tax. *This is because the IRC § 691(c) deduction is inefficient.*
4. Taxpayers who can pay the income tax on the IRA from non IRA funds benefit greatly from the Roth IRA because of the ability to enjoy greater tax-free yields. *This is because of the ability to move funds from a "taxable" to a "tax-free" tax asset class.*
5. Taxpayers who need to use IRA assets to fund their Unified Credit bypass trust are well advised to consider making a Roth IRA election for that portion of their overall IRA funds. *This is because the exemption is funded on an after-tax basis.*
6. Taxpayers making the Roth IRA election during their lifetime reduce their overall estate, thereby lowering the effect of higher estate tax rates.
7. Because federal tax brackets are more favorable for married couples filing joint returns than for single individuals, Roth IRA distributions won't cause an increase in tax rates for the surviving spouse when one spouse is deceased because the distributions are tax-free. *(See chart on page two.)*
8. Post-death distributions to beneficiaries are tax-free. *This is possibly the most advantageous aspect of a Roth IRA conversion.*
9. Tax rates are expected to increase in the very near future. *Higher tax rates in the future means more tax will be paid on taxable IRA distributions than the tax that would be paid on a conversion at a lower rate.*
10. The ability to recharacterize allows the taxpayer 20/20 "hindsight", effectively allowing them to "undo" conversions that were not advantageous. *This allows the client to create a powerful "heads you win, tails you lie" opportunity that protects against adverse market swings. Later recharacterized funds can be "reconverted".*

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## Keebler Roth Conversion Handout

- Questions to ask clients
- Conversion decision tree
- 10 Reasons To Convert
- Keebler's Tips
- CPA, FA, & Lawyer Checklist



## Robert W. Casey

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- Experience

- Business editor, consultant, & industry thought leader
  - Consulted with Bloomberg L.P., PricewaterhouseCoopers, KPMG, The Vanguard Group, Institutional Investor, American Express Publishing, the AICPA
- Sr. managing director, Research, Family Wealth Alliance
- Senior editor, Advisors4Advisors.com
- Founding editor, *Bloomberg Wealth Manager*
- Managing editor, *American Banker*
- Founding editor, *Your Company* mag. (*Fortune Small Bus.*)
- Business editor, *The Philadelphia Bulletin*
- Original planning editor/*Money for USA Today*

- Education

- Medill School of Journalism, Northwestern University
- The Wharton School, University of Pennsylvania
- Certificate in Financial Planning, New York University

# Upcoming Webinars



Diane MacPhee	4 Problems Plaguing Advisors & Their Solutions	April 30
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Scott Farnsworth	Deeper Connections With Clients Through The Power Of Story	May 14
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# Crosscurrents In Family Wealth

Robert Casey

Sr. Managing Director of Research

The Family Wealth Alliance LLC

# Today's Topics

- The Family Wealth Market from 30,000 Feet
- Single-Family Offices--Background and Trends
- Multifamily Offices--Background and Trends
- Crosscurrents
- Questions and Answers

# Family Wealth Market

- 50,000 households  $\geq$  \$30 million in net worth
- The wirehouse business model is dead
- Asset management has become a commodity
- Single-family offices are under increasing stress
- Variety of firms emerging to meet needs of ultra-wealthy
- Multifamily offices occupy the sweet spot
- Families have more choices at this end of the market

# What the Wealthy Want

- Objective advice
- Stability of relationship management
- Stability of ownership
- Open architecture for implementation
- Competency and consistency of delivery
- Breadth of service offerings

# Single-Family Offices-Background

## Definition:

A single-family office is a private business entity established to manage the financial affairs of a wealthy family.

## History:

Family offices emerged along with large-scale commerce

- From the Medicis (early 1400s)
- To the Astors (early 1800s)
- To the new Asian wealthy (early 2000s)

# Single-Family Offices-Background

## The Family Countinghouse/Family Bank

- Cash management functions
- Concentration and control (accounting)
- Custody and safekeeping
- Property management (later investments)

## 85 Prince Street - The Astor Family Office

- Financial manager for first mega-wealthy U.S. family
- Bank-like functions, even appearance
- Concentration and storage of cash
- Hub of global family business operations

# Single-Family Offices-Background

## Born Inside a Business, and Shaped by:

- Nature, scale and scope of the family business
- Talent, enterprise and ambition of family leaders
- Values and cohesion of the family itself
- Disposition of the business, if that eventually happens
- Desire for privacy, control and continuity

## Where the Business Leaves Off and the Family Begins

- No dividing line existed before income taxes and public corporations
- The line can remain blurred today where the business is still private
- 15% of SFOs in study are inside the family business
- Actual percentage of SFO universe is probably much higher

# Single-Family Offices-Today

## 2,500 to 3,000 Single-Family Offices in the U.S.

- Total assets under supervision  $\geq$  \$1.2 trillion
- A highly diverse and under-researched market
- Privacy, control and continuity are Job 1 at SFOs

## From 2010 Single-Family Office Study

- 35 SFOs participating
- Research conducted in mid/late 2009
- Is this a representative sample? We don't know.
- Median assets \$429 million, mean assets \$605 million
- Range in size from \$51 million to \$2.1 billion
- Mean % $\Delta$  in assets for 2008: -9%
- Median years in existence: 13
- Oldest established in 1909
- Newest established in 2008
- CEO at 40% is a family member

# Single-Family Offices

## Effective Governance Is Essential to Long-Term Survival of SFOs

Younger single-family offices tend to be governed by the patriarch/matriarch or senior members of the second generation. To survive into the third or fourth generation, control must be spread around and some form of formal governance introduced.

## How is your family office governed?

Board or council of family members only	34%
Board or council of family members and nonmembers	20
Patriarch or matriarch without board or council	20
Senior family members without board or council	14
Trustees of family trust	3
Other	9

# Single-Family Offices

## Most SFOs Are More than Just Investment Shops

Most participants in the study offer an extensive array of family-office services. Four in ten (37.1%) said they had received requests for additional services from family members in the past two years.

### Services requested

- Estate planning
- Foundation services
- Family investment partnership
- Family meetings
- Improved family communications
- Manage operating business
- Aircraft services
- Household employee administration
- Tax planning
- Mortgage assistance

# Single-Family Offices

## Most Used Family Office Services

	<u>% Households Using</u>
Family counseling	93%
Family education	91
Financial accounting/reporting	88
Performance reporting	86
Consolidated reporting	86
Trustee services	86
Master custody	86

## Most Outsourced Family Office Services

	<u>% SFOs Outsourcing</u>
Tax preparation	20%
Private banking/credit	16
Trustee services	14
Master custody	14
Property/casualty risk review	13

# Single-Family Offices

## SFOs Are Not Immune to Economics of the Advisory Business

Large family offices supervise four times the amount of assets per employee as do small ones. And they pay one-fifth as much in operating expenses (excluding asset management fees) per unit of output.

### Assets per employee by size (mean)

\$1B+	\$100.6M
\$.5B-<\$1B	59.8
\$100M-<\$.5B	39.2
<\$100M	24.1

### Operating expense ratio by size (mean)

\$1B+	22 bps
\$.5B-<\$1B	43
\$100M-<\$.5B	73
<\$100M	112

(Does not include asset management expenses.)

# Single-Family Offices

## Growing Doubt and Uncertainty About Investments

The largest SFOs (\$1B+) maintain sophisticated investment staffs. There has traditionally been a do-it-yourself element among smaller family offices. The study finds a good bit of doubt and uncertainty about investments, with a strong trend toward hiring an outside chief investment officer, particularly at smaller offices.

Does your family office have sufficient expertise to evaluate investment vehicles and strategies?

	<u>2010</u>	<u>2009</u>
No	33.3%	20.7%

Does your family office employ an external chief investment officer?

	<u>2010</u>	<u>2009</u>
Yes	39.4%	28.6%

# Single-Family Offices

## Many Family Offices Are Concerned About Sustainability

Several factors weigh in here--from financial viability of the family office, the family's sense of commitment and cohesion, and the ability to weather the the tricky transition to each new generation of family leadership.

How concerned are you about the sustainability of your family office in the years ahead?

Not concerned at all	41.2%
Somewhat concerned	44.1
Very concerned	14.7

# Single-Family Offices

## Family Offices Are About Two Things--Family and Money

In recent years, concerns about money have been front and center. Over time, however, the family issues always trump the money issues.

## What are the three biggest challenges facing your family office today?

	<u>Weighted Score</u>	
1. Family cohesion, governance	28	
2. Investments, asset management	28	Family Issues
3. Human capital	22	
4. Sustainability, economic viability	21	Investment Issues
5. Relationship management, client expectations	14	
6. Preserving wealth	12	Management Issues
7. Consolidated reporting, technology	10	
8. Generational transition	9	
9. Managing growth	9	
10. Liquidity, cash management	8	

# Single-Family Offices

## Half of Study Participants Expect Substantial Change in their Family Offices over the Next Decade

When asked to explain why, they said:

1. Much depends on the passing of G2 which could occur in the near term.
2. We will need to adapt to the challenge of multiple generations.
3. Growth will remain an issue and need to be managed.
4. We expect to begin managing outside money and become a multifamily office.
5. Senior generation will need to turn over management to the next generation.
6. We will see a changing of the guard from G3 to G4 in the next decade.
7. We will join a partnership consortium with other families.
8. I do not believe we will be able to continue as a single-family office.
9. We may develop separate service offerings for smaller accounts.
10. The mindset of the next generation is to support their lifestyle, not to grow assets.

# Single-Family Offices

## Family Offices Feeling Stress, Doing Soul-Searching

1. The problem of generational decay.
2. Rising costs and service demands.
3. The challenge of human capital.
4. Compliance and regulation issues emerging.
5. Privacy, control and continuity come at a price.
6. Opening the door to alternatives.

## What Are The Alternatives?

1. Merger with one or more SFOs to gain scale.
2. Outsourcing some or all operations while maintaining control.
3. Giving up the family office and signing on with a multifamily office.

# Multifamily Offices-Background

## Definition:

A commercial entity providing integrated wealth management and family office services to multigenerational family clients.

## Key Characteristics:

- A multigenerational orientation and approach
- Comprehensive, integrated wealth management
- Extensive menu of family office services
- Average relationship  $\geq$  \$50 million

# Multifamily Offices-Background

## History:

The first multifamily office was U.S. Trust Co., founded in 1853. (Nothing suitable, so we'll start our own.) In general, multifamily offices are a new phenomenon.

## Where They Come from:

- Single-family office opens its doors to other families.
- Two or more SFOs merge, then new firm becomes a commercial entity.
- SFO launches an MFO as a side business. (Ex: Huber, Russell families)
- De novo. Major recent startups by breakaway broker/banker teams.
- MFO evolves from investment advisor, accounting firm, or law firm.

## What They Are:

- 75% RIA, 15% bank or trust company, 5% CPA or law firm, 5% Other.

# Multifamily Offices-Today

## 150 Commercial Multifamily Offices in the U.S.

- Total assets under advisement ~\$400 billion
- A little-understood, low-profile market that is growing rapidly
- Offering new choice for families in the \$25 million to \$500 million asset range

## From 2009 Multifamily Office Study

- 79 MFOs participating
- Research conducted in mid 2009
- Is this a representative sample? Yes.
- Total assets of all firms: \$286 billion
- Mean assets \$3.6 billion, median assets \$970 million
- Range in size from \$36 million to \$52 billion
- Mean %Δ in assets for 2008: -8.6%
- Mean relationship size: \$51.5 million
- Mean minimum annual client fee: \$78,000
- Median number of client relationships: 38

# Multifamily Offices

## Top Multifamily Offices by Size of Average Client Relationship

<u>Firm Name</u>	<u>Headquarters</u>		<u>Average Client Relationship Size</u>
1. Geller Family Office Services, LLC	New York	NY	\$278.4M
2. Athena Capital Advisors LLC	Lincoln	MA	194.9
3. U.S. Trust Family Office	New York	NY	191.2
4. BNR Partners, LLC	Chicago	IL	171.4
5. Northern Trust	Chicago	IL	160.9
6. Atlas Brown	Louisville	KY	157.6
7. Lowenhaupt Global Advisors, LLC	St. Louis	MO	144.7
8. Pepper International, LLC	New York	NY	143.8
9. The Lipson Group, Inc.	Cleveland	OH	138.3
10. J&T Roush Family, LLC	Napa	CA	120.0

*As of Dec. 31, 2008*

# Multifamily Offices

## The Sweet Spot of Wealth Management

- MFOs are experiencing significant inflows; client attrition rates are very low.
- Wirehouse and big bank assets are bleeding into this segment.
- Families are choosing an MFO over starting their own family office.
- Existing SFOs increasingly are turning to MFOs for help.
- MFOs are gaining higher visibility in the marketplace.

## Coming Up--Name Your Top 3 Competitors

	<u>Rank 3 Yrs Ago</u>	<u>Rank Now</u>
Bessemer Trust Co.	4	2
GenSpring Family Offices	8	3
Vogel Consulting	12	10
Laird Norton Tyee	16	6
SCS Financial	24	16

# Multifamily Offices

## Going Down--Name Your Top 3 Competitors

	<u>Rank 3 Yrs Ago</u>	<u>Rank Now</u>
Merrill Lynch	5	27
Morgan Stanley	9	29
U.S. Trust	2	15

## Holding Out as a Multifamily Office

Does your firm hold itself out to the public as a multifamily office?

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Yes	89.3%	86.8%	79.2%
No	10.7	13.2	20.8

# Multifamily Offices

## What Are the Three Biggest Challenges Facing Your Firm Today?

	<u>Weighted Score</u>	
1. Human capital	91	
2. Business development	62	Management Issues
3. Managing growth	57	
4. Technology, client reporting	35	Investment Issues
5. Marketplace awareness	32	
6. Profitability	29	
7. Managing client expectations	23	
8. Turmoil in economy, markets	20	
9. Investing client portfolios	20	
10. Operational efficiencies	18	
11. Compliance	9	
12. Succession planning	9	

# Multifamily Offices

## 61% of Study Participants Expect Substantial Change at Their Firms over the Next Decade

Selected explanations:

1. Firm is well positioned to grow.
2. We continue to create operating efficiencies through technology.
3. Traditional providers are in decline, offering strong opportunity.
4. Mergers will help leverage growth in new markets.
5. With current growth trajectory, we expect to be a much larger firm.
6. We are cultivating new business relationships in Latin America, Europe.
7. We are executing very well, and have capacity to expand.
8. Success depends on our ability to build new leaders.

# Multifamily Offices

## Pricing and Profitability Issues Among MFOs

### Revenue Breakdown By Source

Asset-based fees (≠trust fees)	69.0%
Annual retainer fees	14.0
Hourly fees	8.1
Net worth-based fees	1.8
Trust fees	2.5
Other	4.7

- Trend is away from AUM fees but movement in that direction is slow.
- Minimum annual fees, activity-based fees and a la carte pricing for services are gaining.
- Evidence of fee compression: \$270,000 composite fee on \$50 million, down 8%.

### Profitability

All over the lot. Pre-tax margins appear to run about 25%, with wide variability.

# Multifamily Offices

## Merger Activity at a High Level

Was your firm involved in a merger in the last three years:

Yes 22.2%

If so, please describe:

Acquired smaller firm(s) that were not family offices 42.9%

Acquired one or more single-family offices 28.6

Was acquired by a larger firm 14.3

Merger of equals 14.3

Held informal talks within the past 12 months?

Yes 59.1%

Held formal talks that were discontinued?

Yes 35.9%

How likely is your firm to acquire a smaller firm within 12 months?

Likely/Somewhat likely 32.8%

# Multifamily Offices

## Most Offered Family Office Services

	<u>% Firms Offering</u>
Consolidated reporting	94.0%
Performance reporting	91.5
Family meeting planning	87.9
Charitable counseling	87.9
Financial accounting/reporting	85.6
Family education	84.4
Bill paying	81.9

## Most Outsourced Family Office Services

	<u>% MFOs Outsourcing</u>
Master custody	50.6%
Private banking/credit	50.6
Property-casualty risk review	42.2
Trustee services	38.6
Tax preparation	37.3
Real estate management	36.1

# Strengths and Weaknesses

## Comparing Single-Family and Multifamily Offices

Relative Strengths (S) Weaknesses (W)

	<u>MFOs</u>	<u>SFOs</u>
1. Client trust/Integrity	S	S
2. Financial planning	S	W
3. Scale	S	W
4. Investment management	S	W
5. Fiduciary management	W	S
6. Family education/communication	W	S
7. Client and office intimacy	W	S
8. Inter/intra family relations	W	S
9. Consolidated reporting	W	W
10. Security	W	W

# Crosscurrents

## Bridge building between SFOs and MFOs

They have simpatico cultures and new openness to partnering. How?

- Outsource relationships
- Consulting services
- Outright acquisitions
- Hub and spoke relationships

## Drivers of Collaboration

- Scale advantages
- Human capital requirements
- Demands of family members
- Complementary nature of MFOs and SFOs
- Need for sustainability

# Questions??



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