

The Family Office Landscape: Today's Trends and Five Predictions for the Family Office of Tomorrow

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*Plus ça change, plus c'est la même chose.**

In this article, Hauser & Rosplock explore trends in family offices today and offer five predictions for the future state of the industry.

1. Trend: There Is an Increase in the Global Population of Ultra-High-Net-Worth Individuals

Estimates are that there are approximately 199,000 Ultra-High-Net-Worth (UHNW) individuals worldwide (See Exhibit 1).¹ UHNW individuals are defined as those with \$30 million or more in assets (liquid, illiquid, property, collectibles, and so forth.) The millionaire population has also increased 6.3% from 2012–2013 to 2.9 million. The world's top 20 wealthiest individuals hold over \$700 billion.² Of the UHNW population, approximately 88% are men, married (95%), educated (87% with a BA or more), and self-made (70%). Their average net worth is approximately \$138M. The billionaire landscape has also changed. There are estimated to be 515 billionaires in the United States and 23% of the UHNW individuals' wealth is held by this segment, yet it only accounts for 1% of this mega-wealth tier.³

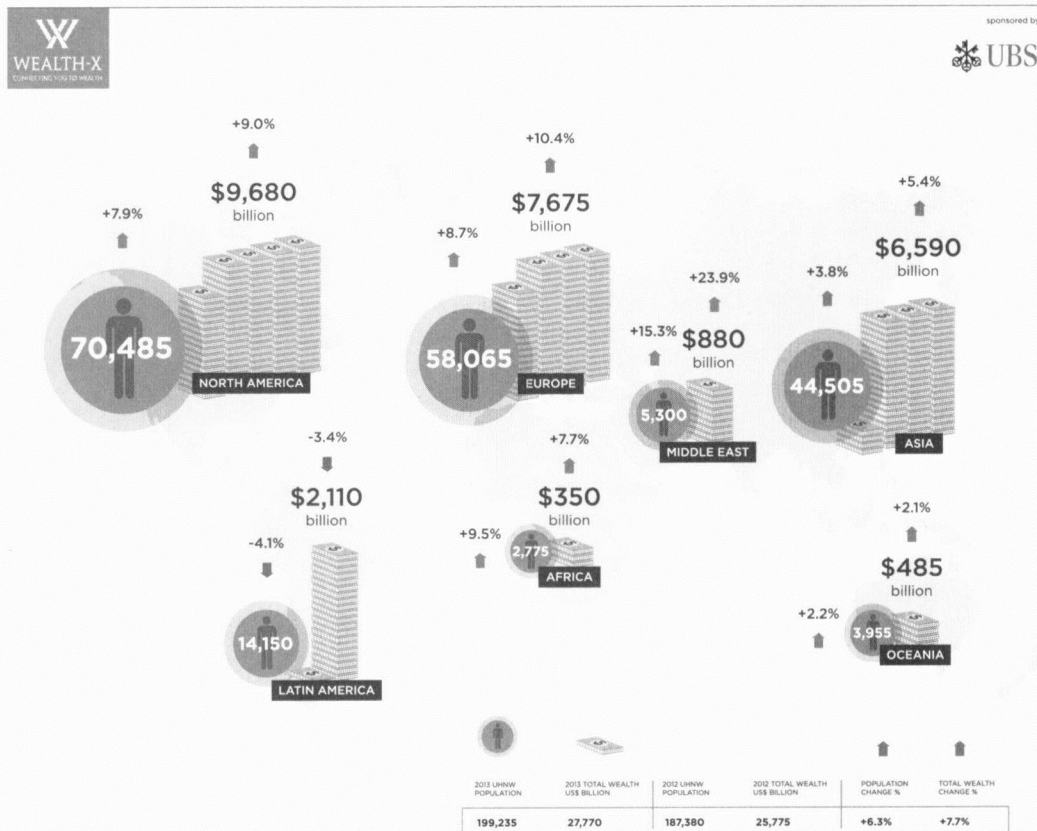
Family Wealth Alliance estimates there to be 2,500 to 3,000 operating Single Family

Offices (SFOs) whose combined assets exceed \$1.2 trillion.⁴ The increased interest in the family office space indicates growth in this form of wealth management; however, assessing the true growth of the SFO space is difficult for a number of reasons. First, not all financial families and wealthy individuals self-identify as a family office, even though their assets, organization, and operations may lead the outside world to categorize them as a family office. Second, the newer regulatory requirements of the Family Office Rule enacted by the SEC (Security and Exchange Commission) have motivated many financial families to surface and identify as a single family office. Third, more investment driven firms and hedge funds started by investment gurus such as George Soros, Carl Icahn, and Stanley Druckenmiller are opting to identify as a single family office in order to take advantage of the changes of the less strict reporting and regulatory oversight for SFOs compared to remaining a hedge fund. The growing wealth of the ultra-high-net-worth space gives us an understanding of the expanding wealth at the top-most tiers.

In addition to the growth of the SFO market, the multi-family offices (MFOs) also appear to be growing in the United States, as well as globally in places such as Europe, the United Kingdom, Australia, Canada, South America, the Gulf Region, and Asia. There are estimated to be more than 150 MFOs in

EXHIBIT 1

The State of the World's UHNW Population



Source: WealthX, "World Ultra Wealth Report 2013–2014," excerpted from "The Complete Family Office Handbook" (Wiley/Bloomberg, 2014) pg. 7.

the United States, with approximately \$400+ billion assets under management;⁵ yet as with the SFOs, the precise number is unknown due to many institutional firms as well as advisory firms (accounting, tax, legal, and so forth) also now identifying themselves as multi-family offices. However, the estimated number of family offices and their associated wealth is smaller relative to approximately 10,500+ RIAs with \$54.8 trillion in aggregate regulatory assets under management.⁶

What data points may substantiate actual growth in the SFO sector? Again, although there is no empirical research, anecdotal evidence coupled with a few outside indicators may provide a deeper insight into the family office market. If we extrapolate data from Wealth-X's *Global Wealth Report*, the number of individuals globally with a billion or more is 2,170, those with assets of \$750M to a billion is 1,080, and those with \$500M to \$750M is 2,660 (See Exhibit 2). Combined, there are

5,910 individuals with a half billion or more. This falls more in line with the family office population projections from the Family Office Exchange (FOX). FOX has estimated there are roughly 3,000 to 5,000 family offices in existence today and perhaps as many embedded in operating family businesses around the world.⁷

Some experts advise that the minimum AUM for a family to establish a family office is \$250M, while others advise that it is truly only cost-effective for families with \$500M or more.

Other indicators that the family office space is expanding are the growing number of conferences, summits, forums, and gatherings for family offices. The interest in family office conferences and events has grown significantly over the last decade. Family Office Review (FOR) published a guide to family office events over the calendar year and identified more than 100 conferences in 2014 alone. "There



EXHIBIT 2

World by Wealth Tier

World UHNW Net Worth	2013		2012		Population Change %	Total Wealth Change %
	UHNW Population	Total Wealth U.S.\$ Billion	UHNW Population	Total Wealth U.S.\$ Billion		
\$1 billion +	2.170	6.516	2.160	6.190	0.5%	5.3%
\$750 million to \$999 million	1.080	929	990	855	9.1%	8.7%
\$500 million to \$749 million	2.660	1.695	2.475	1.560	7.5%	8.7%
\$250 million to \$499 million	8.695	3.420	8.090	3.225	7.5%	6.0%
\$200 million to \$249 million	14.185	3.205	13.500	3.035	5.1%	5.6%
\$100 million to \$199 million	23.835	3.780	22.290	3.335	6.9%	13.3%
\$50 million to \$99 million	60.760	4.720	56.205	4.295	8.1%	9.9%
\$30 million to \$49 million	85.850	3.505	81.670	3.280	5.1%	6.9%
TOTAL	199.235	27.770	187.380	25.775	6.3%	7.7%

Source: *Wealth-X world Ultra Wealth Report 2013–2014*.

is a growing demand for family office content and information over the last several years, which is what prompted FOR to aggregate a guide to family office related events,” notes Steffi Claiden, FOR’s Founder and CEO. Although the number of conferences and forums does not directly substantiate the growth in the number of family offices, it does indicate a growing demand for family office information exchange, knowledge, networking, and advice.

PREDICTION ONE: A CONTINUING INCREASE IN THE NUMBER OF SINGLE FAMILY OFFICES (SFOs) AND MULTI-FAMILY OFFICES (MFOs)

Based on the above trends and the global growth in the number of ultra-high-net-worth families, we predict that once again there will be a surge of interest in the creation of family offices. These may take the form of a traditional, fully staffed single family office, or the small staff that manages outsourcing (Hauser, [2001]) or a larger multi-family office. This interest will be multiplied by the enormous predicted generational wealth transfers.

2. Trend: *There Are Increasingly Blurred Lines in the Banking, Investment Services, and Professional Services Landscape with the Family Office Realm*

Today, it is hard to distinguish what truly is a family office and what is not. The distinction has been

blurred, as many firms want to identify themselves as having “family office services” or actually being a “multi-family office.” Global banking institutions have created marketing platforms, branding an internal division as a multi-family office, and so have individual investment advisors, accountants and lawyers. It is not uncommon to hear an advisor announce: “I am a multi-family office.”

As Linda Mack, president of *Mack International*, comments: “We see a continuing trend in the growth of new multi-family offices. The genesis of the new multi-family offices is coming from many sources, including accounting firms, financial planning firms, registered investment advisors, spin-off teams from private bank and broker-dealer wealth management platforms as well as spin-off teams from investment management firms, who establish start-up multi-family office platforms to provide independent, non-conflicted advice/solutions to their clients.”

One could view this trend as a throwback to the old days when in fact a lawyer (or accountant or other advisor) acted as a general family advisor and provider to key clients. The trusted advisor would help with all the family needs, from estate planning to football tickets.

On the other side, many single family offices are opting to shed expenses by outsourcing certain services that may be costly to manage internally. These services may range from investment advisory to tax, legal, compliance, accounting, even concierge, and bookkeeping. The result in reduced staff can be a single “coordinator” where there used to be a complete single family office staff. Kathryn McCarthy, a well-known family office

advisor, labels these as “coordination offices [not family offices].”⁸ In some cases, this reduced office has joined a larger multi-family office. A number of multi-family offices have realized that they can provide the costly services for former single family offices, and are even marketing that they can be the back office for the private family office.

Ironically, in our view, this convergence is erasing the special value of the original two separate identities. The large investment firms are holding themselves out as experts in concierge, health services, education of the next generation, family conflict resolution, and family governance (which they are finding challenging to implement on a profitable basis) and many traditional single family offices have morphed into larger multi-family offices, beginning to resemble the look of a small, boutique investment firm (giving up some of the concierge services along the way).

In any event, the family office sector has garnered increased interest and intrigue from many traditional wealth management sectors including tax, finance, investment management, accounting, product providers, insurance, and concierge offerings as discussed above. It has become the darling of the proverbial wealth management space, as many believe this should be their ideal target audience. As a result many, who are tired of the selling agenda of several larger institutional players, are finding seminars, certificates, educational forums, and continuing education credits related to family office to strengthen their résumés. Simultaneously, there is growing energy from family office experts and professional organizations to provide data, education, and targeted information on the needs, specifications, and training that a family may require in their family office.

Although an interest to garner expertise in the family office segment is increasing, only a few specialized training programs in family office subjects are currently offered. However, many single family offices are looking for more advanced and specialized training of their existing staff in order to bring best practices, knowledge, and peer-learning into their family offices. Family Office Metrics offers specialized webinars, workshops, and peer-to-peer forums for family offices. Jon Carroll, the CEO of Family Office Metrics, notes that hot topics for their webinars focus on 1) systems, especially accounting and reporting systems, 2) technology, especially data management and cyber-crime,

and 3) operations best practices, especially risk control. All of these trainings are to improve risk management controls and help with operational efficiency, compliance, and process controls within the family office. Other professional organizations such as Family Office Exchange (FOX) and Institute for Private Investors (IPI) also provide targeted education to UHNW individuals and family offices. And other professional organizations supporting professional designations such as the Financial Planning Association, the CFA Institute, and the Chartered Alternative Investment Analyst Association (CAIA) among others, are also increasingly interested in offering more content, education, and information tailored to the family office realm. Finally, several family offices are banding together to exchange best practices; share their challenges and opportunities in closed-door, private forums. From Dallas to Chicago, New York to Los Angeles, these forums are increasingly becoming the norm rather than the outlier. Unfortunately, there is no overarching family office supervisory body to ensure the quality, relevance, sophistication, and educational standard for some of the training and certificates. Professionals will have to use good judgment, check references, and rely on their own discretion to identify quality training programs.

PREDICTION TWO: TALENT WILL MIGRATE TO THE FAMILY OFFICE REALM FROM MULTIPLE SECTORS; PROFESSIONAL DESIGNATIONS AND TRAINING WILL RAMP UP IN THE FAMILY OFFICE SECTOR, AS ADVISORS TRY TO DISTINGUISH THEMSELVES WITH SPECIFIED FAMILY OFFICE CREDENTIALS

We predict a continuing increase in the number of educational events targeted to the family office market sector. Advisors will continue to enter the family market space from a number of sectors. Families themselves will continue to come together to share their experiences. Eventually there will be some solid, accredited “certification” programs.

3. Trend: Investment Management Viewed as a Commodity

The creation of a family office in the United States has usually been a direct result of the family business



being sold (or going public).⁹ That “liquidity event” meant that suddenly the family had a liquid investment portfolio. The family often decided at that point to hire a small number of trusted advisors to manage that wealth.

Over time, the family office mandate often expanded beyond investments, to provide a number of what are now called “concierge” or “lifestyle” services. A dedicated single family office might be taking care of any or all of a substantial list of services:¹⁰

- Income tax planning in order to minimize taxes
- Financial planning and capital sufficiency analysis including the coordination of all individual financial matters
- Cash flow management
- Preparation of financial reports and aggregated reporting
- Oversight of brokerage transactions
- Family philanthropic strategies and management of various entities such as foundations, Donor Advised Funds (DAFs), and direct charitable giving
- Investment services
- Asset allocation
- Management of debt/leveraging opportunities
- Retirement planning
- Estate tax planning
- Bill paying
- Management of household staff for multiple residences
- Payroll tax administration for household help
- Management of family collectibles, aircraft, and yachts
- Coordination with bankers, attorneys, and insurance brokers
- Oversight of real estate investments
- Wealth transfer and gifting strategies
- Mediation of intergenerational conflicts
- Assistance with succession transitions
- Serving as Trustee
- Family education
- Facilitation of family meetings
- Family governance
- Family council structures
- Preparing a total wealth audit, to understand the family’s holdings on a comprehensive basis
- Monitoring all risk coverage, from property and casualty to substantial life insurance programs

- Offering offshore solutions as appropriate
- Overseeing and monitoring outside trustees
- Creating educational programs for the next generation, giving them the skills needed for independent evaluations in connection with the family wealth
- Preparing the next generation to serve as valuable board members for other organizations.

As the family office realm evolved, third-party financial institutions saw an opportunity to provide “family office” services, giving them an entrée into the management of family wealth (the real goal.) Over time, the financial institution influence may have encouraged the denigration of the “concierge” services: firms would boast “We don’t walk the dog.” Also, a number of non-traditional family office providers jumped on the bandwagon, and now there are accounting firms, a few law firms, some independent investment (even hedge fund) groups, advertising their new “family office” platforms.

Finally, an increasing number of traditional single family offices decided that their overhead was such that they would like to “share” it, by “opening their doors” and inviting other families to become clients. This was not always a simple success. Challenges included the risk of the non-founding-family members feeling that they had a second-class status. Also, they found that to provide a full suite of “concierge” services could be a negative drain on any profits. As with the other new expanded “family office” service providers, this would work only as long as the “regular” income from the investment charges would cover those costs.

By the time (2006–2007) that Wharton made a global survey of single family offices, it was no surprise that all family offices had reverted to the standpoint that “the primary purpose is to manage investments.”¹¹ The #3 Wharton finding stated:

Most families view their SFO as mainly a private investment office. “Soft” responsibilities, like coordinating education, providing concierge services, and organizing philanthropy, are considered significantly less important SFO tasks.¹²

One could certainly question the accuracy of that finding. In our experience it truly is the “soft” services that are most highly valued by the family members. We



suspect that when asked as part of an official and prestigious study, family members might have been reluctant to make that admission. A focus on investment returns sounds much more serious.

In any event, in recent years (perhaps in part due to the 2008 global financial crisis) we have seen a definite trend toward outsourcing investment management. A leader in the multi-family office category did some difficult soul-searching and decided his firm could not offer internal investment products and be truly independent in its advice to its clients. As Dirk Jungé, Chairman of the Pitcairn family office, describes that decision. "It was the right strategy at the right time, even though we fully understood the transition would reduce our fees by more than 20% in the near term. We knew it was the cost of entry, but a worthwhile one. As one of our independent directors advised me: "Dirk," he said, "just remember, if you do what's right for clients, ultimately the business will thrive." Now, they can see the positive results; as others are changing more to outsourcing the investment management, clients are being educated to adopt a "pay to play" approach to the menu of available services. In that menu are all the possible non-investment services. This has supported the new interest by non-investment professionals who are entering the family office space.

In the last several years, we have seen an increase in hiring of non-financial experts in areas such as governance, family dynamics, and family facilitation brought on by increased demand from families. In fact in 2014, four significant institutions in the United States expanded their service offerings in these areas. Additionally, engagements with several additional boutique multi-family offices in the United States and abroad expressed interest in broadening their platforms in these niche areas. Finally, several professional organizations for family offices are increasing their mandate to provide educational forums, synchronous as well as asynchronous learning, including mentoring opportunities for family members. This trend is anticipated only to continue for the near term.

PREDICTION THREE: NON-INVESTMENT SERVICES WILL BE A DIFFERENTIATOR

Rather than the focus purely on investments, families are returning to the priority of having help with their non-investment services. An example is the head

of a single family office in Pennsylvania. He has been in the family office for 33 years, and has a strong investment background. He has decided that his focus must be educating the 4th generation. He plans to spend 80% of his time on that, explaining that "investment management has become a commodity."

4. Trend: More Families Looking at Succession and Sustainability and How to Confront Generational Mathematics

Wealth transfer is a hot spot that most family offices are coping with in one way or another. Wealth transfer initiates a cascade of issues for the family offices to manage including fiduciary responsibilities, custodial, tax, compliance, legal, accounting, reporting, financial planning, investment management, and preparing beneficiaries and trustees.

The complexity of the wealth transfer discussion is multifaceted and may trigger concerns about the sustainability of the family office. Paul Schervish and John Havens, leading wealth and philanthropy researchers at the Center for Wealth and Philanthropy at Boston College, released updated research on their foundational study on the largest wealth transfer event, which they conducted originally in 1999. Their newly updated study reveals that an estimated \$59 trillion will be transferred and divided among heirs, charities, estate taxes, and estate closing costs. This wealth transfer event will result from an estimated 116 million American households from 2007 to 2061.

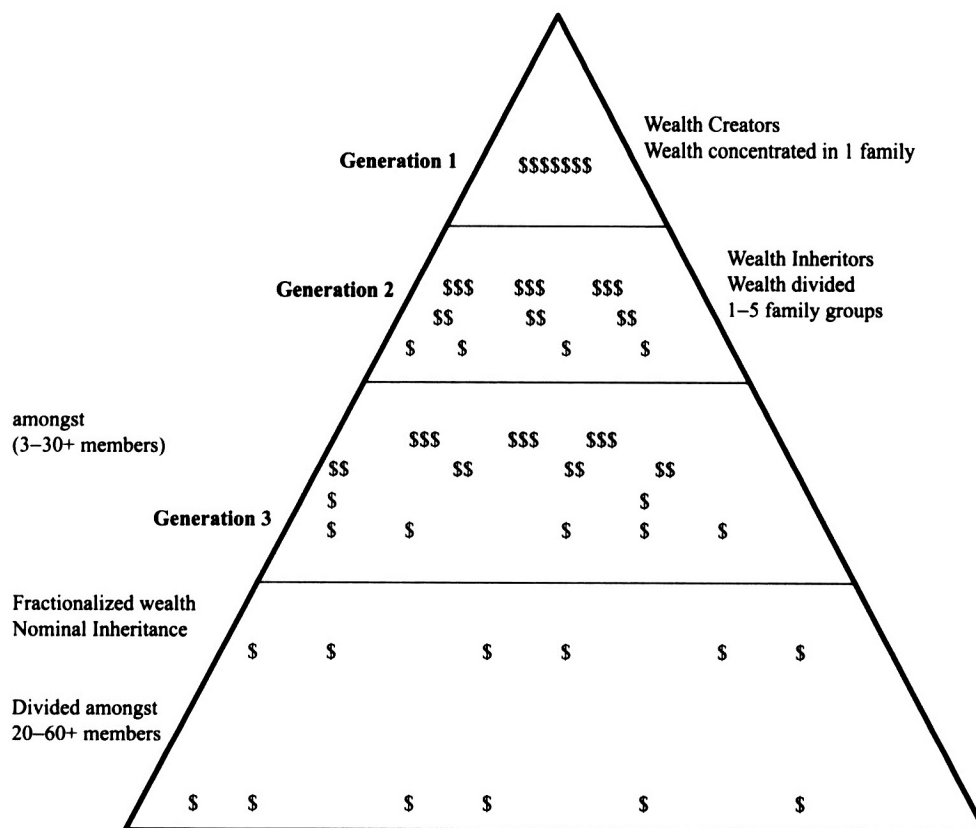
Their original study estimated a \$41 trillion wealth transfer event, yet this updated and revised number was generated from an expanded "wealth transfer micro-simulation model" that also incorporates recent data points from the Survey of Consumer Finances from the Federal Reserve, the most recent mortality rates from the Centers for Disease Control, and the most recent estate tax data from the IRS. Even with incorporating the decline of household wealth during 2008–2009, as well as the desire by many to transfer wealth during their lifetime rather than upon death, the revised numbers are substantially more than the original \$41 trillion projection. The majority of wealth (88%) will be distributed by the top 20% of wealth holders.¹³ Why is this wealth transfer event at the top of the mind in the family office community?

The family office has to assess the increased oversight, management, accounting function, and administration of the fractionalized wealth spread among a number of constituents (see Exhibit 3). It is estimated that nearly all wealth (90%) is held in trust for the third generation.¹⁴ Consequently, many family offices have to ascertain which functions to manage in-house, and which they have to outsource or rely on institutional or trust company partners to manage. Many trusts may have more stringent investment advisory provisions, limiting the types of investments and/or having more traditional risk parameters. The more conservatively driven investment mandates may not allow the performance to keep up with taxes, inflation, adjustments for cost of living, and investment fees.

Further as the wealth transfers occur, so does the transfer in ownership, typically. More owners lead to

changing governance, which may result in some families modernizing and democratizing their governance structure. More simply put, an increase in the number of owners requires more openness in the decision-making process. Coupled with the mega-wealth transfer event, there is also a natural transition of leadership in many family offices. Approximately seven of ten family offices are led by a family member,¹⁵ and a large portion of them are retiring over the next few decades. As a result, single family offices are grappling with whether or not to remain autonomous entities, or if certain aspects of the family office can be scaled back or outsourced. Others are reviewing their family office vision and how strongly they are committed to remaining together. A recent webinar presentation given by Rosplock polled family offices ranging in size from \$1B+ (37%), \$500M–\$1B (16%) \$100M–\$500M (45%) and under \$100M

EXHIBIT 3 Triangle of Dissipating Wealth



Source: Rosplock, K. [2006]. *The Family Office Landscape*. Saybrook University. Excerpted from "The Complete Family Office Handbook" (Wiley/Bloomberg, 2014).



(3%). Most (77%) indicated they agreed at some level having a “clearly articulated vision,” however 87% agreed at some level that when it comes to longevity, their family office is concerned about having enough wealth to sustain the family office over generations.

One family office interviewed for “The Complete Family Office Handbook” (Handbook) described an intense due diligence period where they utilized outside consultants for more than a year to consider their strategic options: remaining a single family office, dissolving the family office, or merging into a multi-family office. Ultimately after significant discussions on cost, overhead, talent retention, the desire to have a scaled platform as well as to remain together, the family determined that merging with a multi-family office allowed them to achieve their goals.

In researching the Handbook, a group of family office executives who created a peer-to-peer family office cohort revealed that they had informally agreed to bridge the leadership gap in the event of an unexpected event that left the family office leadership incapacitated. Their logic—the peer family office executives had clear alignment, objectivity, and expertise in how the family office leader executed his/her family office mandate and the skills, knowledge, experience, and an understanding of the expectations set by the family. Who better to help manage the leadership transition than complementary peer family office executives? They recognized the value that they could provide family members in the search, interview, and advisement process as they identified leadership within or outside of the family to fill the gap.

Not all families will have an incumbent family member of age, with the experience, the respect of the majority of family members, knowledge, and credentials to fill the leadership voids left when patriarchs or matriarchs step down or pass unexpectedly. Having go-to advisors with deep knowledge and expertise in the family office realm, a sound process, and a patient, objective, and integrated lens to family office transitions are also key. “Family office leadership transitions can either bring generations together or they can fracture continuity and ultimately jeopardize the family office’s sustainability. Consultants often play an integral role in aligning family owner voices and structuring a strategic plan that mirrors the family’s goals and objectives for the short and long term,” shares Fredda Herz Brown, founder and CEO of Relative Solutions, a firm that advises both families and family offices.

Increasingly non-family members will need to be identified to bridge and/or succeed family members. The risk, however, is that the next-generation family becomes too distanced from the management, oversight, and ownership responsibilities of the family office. Although the family office is intended to enhance wealth ownership, the concern always remains that it overentitles its beneficiaries. A European family office executive shared with Rosplock the dismal state of affairs of a very prominent family whose next generation felt completely entitled by the materialism and trappings of the family wealth enabled through the family office. When a consultant was asked to come “fix” one of the privileged daughters, there was no leverage since the family office continued to pay her credit card bills, her mortgages on homes, her lavish lifestyle, and travel without having a conversation on what is enough and outlining a financial plan. The engagement, needless to say, was a no-go, and the family continues to flounder, keeping their perception that the wealth will last forever. But will it?

Contingency planning is nothing new in the business realm; in fact it is a core tenet of strategic planning. Several experts and advisors have been discussing succession planning for decades in the family business context.¹⁶ Now more than ever, family offices are faced with mortality issues and are also contemplating how best to put in place a contingency plan for succession and/or another exit strategy from their family office. Yet family office research from U.S. Trust/Campden indicates that only 47% of family offices have a succession plan for their family office.¹⁷ This may be a factor of an increase in many first-generation wealth creators who have created “founder family offices,” and have not broached the delicate topic.

PREDICTION FOUR: MORE SFOs WILL HAVE A CONTINGENCY PLAN FOR SUCCESSION AND/OR EXIT OF THE SFO

Our prediction is that family offices will embrace contingency planning and succession as a normal course of business more readily than in the past. Family offices with a clearly articulated mission or purpose statement, with regular family meetings with family office executives to discuss the vision and the strategic planning process tend to appreciate the importance of having a contingency plan in place. Based on the above changes,

from the generational wealth transfers to the increases in the number of households as clients of the family office, family offices will increasingly be focusing on the future state of the family office. The concerns range from the over-arching issue of whether their vision is to remain as a family office, or to join a multi-family office, or simply to disband, to management issues of retaining skilled talent in the office. These multi-faceted issues are affected by each sub-family's goals and objectives, making it very challenging to prioritize. Nonetheless, the changes are inevitable, so we are confident in predicting that more and more offices will be developing succession (and exit) plans—for the family office, its staff, and for family members.

5. Trend: More Family Offices Functioning as Global Entities Requiring a Global Network of Collaborators and Partners

As families become increasingly global, so are their family offices. The rise in MFOs also contains a number of multi-jurisdictional MFOs, either at inception or during growth by merger and acquisition. The major investment firms now active with their “family office” brands and platforms are by definition already global entities. In a peer-to-peer trend, we have seen family offices supporting active collaboration among each of their Chief Investment Officers. For example, in late 2011 the Wigmore group was formed, consisting of the family office CIOs from seven family offices from around the world: Pitcairn (United States), SandAire (United Kingdom), The Myer Family Company (Australia), HQ Trust (Germany), Northwood Family Office (Canada), Progeny 3 (United States), and Turim Family Office & Investment Management (Brazil).

The goal of the Wigmore group is “to further each others’ understanding of issues that are important to the families they serve.” In addition to these trends, there is a growth of new family offices inside countries that have not previously been active in this industry. For example, in July 2013 Hauser gave the keynote at what was billed as “India’s First Global Family Office Summit,” which was a sold-out event.

As those new market segments search for experienced family office executives and consultants, they will inevitably mix with family offices outside of their home countries, whether through conferences or networking. That will lead to more relationships among

separate family offices from whatever jurisdiction they may be in.

Finally, as new family offices are created in countries where the families may have geopolitical concerns, it is increasingly common to choose multiple concurrent jurisdictions for a new family office. For example, the “all but investments” office might be in the home country, where convenience is important, but the investment office might be in Geneva, or London, or Singapore. Rosplock notes the former cities are “gateway cities” to the affluent.¹⁸

Drawing on the research that was undertaken for the Handbook, we have some brief summaries of the growth of family offices in key locations:

Asia. Estimates are that there are perhaps hundreds of family offices, which are largely too private to count. In Hong Kong, another gateway city, there are 25–50 active family offices. As a jurisdiction, Singapore is also attracting new family offices from other places in the world. Domestically many of the family office services are still embedded in an operating family business. As those generations make transitions, it is likely that more family offices will surface.

Latin America. Recent economic and political issues may have dampened the growth in the creation (or visibility) of family offices in the home country, where the appearance of wealth can attract kidnappers. That concern, however, leads to the creation of family offices of some sort located in another jurisdiction (such as Miami). As Latin families send children abroad for schooling and the branches disperse, the family ties remain so strong that one family office may serve family members spread across several countries. For example, Iñigo Susaeta Córdoba, managing partner of the Arcano Family Office, explains: “We [serve] the matriarch and patriarch in Spain, [and] their children in Chile, Argentina, and the United States... They may have Spanish roots and heritage, but they operate as a global family.”¹⁹

Europe. The different countries within the Eurozone each have their own histories of private wealth: from centuries-old fortunes to new family offices. Despite current economic difficulties, the strength of family offices is apparent. London in particular is sought after as a family (investment) office jurisdiction by many families located outside of the United Kingdom. They value the professional infrastructure and even the strict regulatory oversight, complete with its costs

and taxes. Switzerland, historically a bastion of family wealth, is now struggling, in our opinion, to maintain its reputation as “safe and private” in light of the success the United States continues to have in forcing Swiss banks to disclose the names of their account holders.

Israel. Israel is fairly new to the family office world, but interest there continues to grow. Apart from the Strauss family (whose wealth actually predates the state of Israel) most of the new wealth is from first-generation entrepreneurs. The family office focuses in on managing investments. These family offices tend to be provided either within a department of an accounting or law firm, or as a separate MFO headed by a former banker or accountant. As one such example, see “P.J. Weil: The Family Wealth Management Company” (www.pjweil.com). The founder has a Swiss bank background (including J.P.Morgan) and then emigrated to Israel, where he provides a full suite of family office services. His clients often use Switzerland but live in Israel.

The Gulf (Arab) Region. Hauser estimates, based on her extensive work in the Region (particularly in Saudi Arabia), that there are 30–40 family offices in the Gulf Region, where the full family office is still a recent concept. She has been involved in the creation and fine-tuning of some highly placed family offices in the Region. She sees the family office as a natural “next step” for those families who are beginning a transition from the founder of the family business to the next generation. Families are often large in number and are accustomed to having many of the “concierge” services provided to them by the family managers in the family business. One consultant, Ret Taylor, who has collaborated with Hauser, alerts families considering creating their own family offices that it does take a lot of time and money to set up a well-functioning family office.

Australia. Estimates are that there are as many as 300–400 family offices in Australia (detailed in the Handbook). Although there are a handful of multi-generational family offices in Australia and even fewer MFOs, the vast majority of wealth is first generation fueled by Australia’s boom of natural resources. Most of those families are now facing the transition from the founding generation to the next generation, so there is an active interest in learning “best practices” globally for the management of those successions.

PREDICTION FIVE: MULTI-JURISDICTIONAL MULTI-FAMILY OFFICES WILL BECOME THE NORM NOT THE EXCEPTION

As seen above, it seems inevitable that family offices everywhere will become increasingly multi-jurisdictional. We see this happening in the following ways:

- Families become increasingly multi-jurisdictional and require tax and investment advice from each jurisdiction where they live.
- Access to global information, especially about “best practices” for continuing the family wealth will become more and more in demand.
- Pairing with peer families in other jurisdictions will increase.
- The creation of “one global stop” multi-family offices (an ideal market for the global private banks).

CONCLUSION

In conclusion, the demand for family office services will continue to grow in the United States, and globally. Wealth creators will determine which strategy is most appropriate with the aid of trusted advisors, with some opting for the control, autonomy, privacy, and customization of a single family office, while others will opt for a scaled MFO platform that may be more cost-effective in the long run, however may be less flexible and customizable. As the space continues to evolve, the demand for highly skilled, experienced talent will be great and more experts and professional organizations will provide specialized family office training to keep pace with the demand. The question of the sustainability of the SFO concept will continue to be top of mind, particularly as individuals evaluate overhead to operate SFOs and growing expenses due to generational mathematics. Strategic planning, as it relates to succession of leadership and ownership and/or an exit to the family office, will be instrumental and increasingly the norm to sustaining family wealth. The opening quote in French, which translates to: “The more things change, the more things stay the same,” is a fitting synopsis of the family office realm today. Although tremendous change has proliferated over the last decade, the core opportunities and challenges facing the family office marketplace remain mostly the same.

ENDNOTES

* (Jean-Baptiste Karr. *Les Guêpes* ("The Wasps," 1849). "The more things change, the more things stay the same").

¹Wealth X, "World Ultra Wealth Report 2012-2013." <http://wealthx.com/wealthreport/Wealth-X-world-ultra-wealth-report.pdf>.

²Miller M., and D. Greenberg. "The Richest People in America." 2009. www.forbes.com/lists/2009/54/richlist-09_William-Gates_III_BH69.html.

³Wealth X. "World Ultra Wealth Report 2012-2013." <http://wealthx.com/wealthreport/Wealth-X-world-ultra-wealth-report.pdf>.

⁴Family Wealth Alliance, as cited by P. Black in "The Rise of the Multi-Family Office." *Financial Planning*, April 27, 2010. Downloaded from www.financial-planning.com/news/family-office-wealthy-2666609-1.html.

⁵Ibid.

⁶Waddell, M. "Number of Advisors Jumps Despite Registration Switch." ThinkAdvisor, Oct. 3, 2013. Downloaded from <http://www.thinkadvisor.com/2013/10/03/number-of-rias-jumps-slightly-despite-registration>.

⁷As cited by M.J. Rankin. "Wealth Management: A Brief History and Evolution of Family Offices." Unpublished white paper. Presented at the Family Firm Institute Pre-Conference Wealth Advising Seminar, October 5, 2004.

⁸Rosplock, K., [2014]. *The Complete Family Office Handbook*, Wiley/Bloomberg, pg. 8 from an interview with Kathryn McCarthy, 2012.

⁹Hauser, B.R. "The Family Office: Insights into Their Development in the U.S., a Proposed Prototype, and Advice for Adaption in Other Countries." *The Journal of Wealth Management* 4 (2001), pp. 15-22.

¹⁰Ibid.

¹¹Wharton described the study as "an international pilot study of SFOs responsible for managing at least US\$100 million in investable assets in the Americas², Europe³, and Rest of the World (RoW)⁴. The research has been conducted during 2006-2007 and is intended to survey the landscape of single family offices. This report is based on over 40 in person

interviews and on 138 completed surveys. The sample size on which this report is based, to our knowledge, the largest and most diverse in the SFO space."

¹²Id. p. 4.

¹³Paul Schervish and John Havens Center for Wealth and Philanthropy. Downloaded from http://www.bc.edu/content/dam/files/research_sites/cwp/pdf/Wealth%20Press%20Release%205.28-9.pdf?utm_source=National+Wealth+Transfer+Rpt+and+Press+Release&utm_campaign=May2014&utm_medium=email.

¹⁴Rosplock, K., [2014]. *The Complete Family Office Handbook*, Wiley/Bloomberg, pg. 172 from an interview with Jay Hughes, 2012.

¹⁵Rosplock, K., [2014]. *The Complete Family Office Handbook*, Wiley/Bloomberg.

¹⁶Barach, J.A. and J.B. Ganitsky [1995]. "Successful succession in family business." *Family Business Review*, 8(2), 131-155; S. Birley [1986]. "Succession in family firm: The inheritor's view." *Journal of Small Business Management*, 24(3), 36-43; Kelin E. Gersick, John A. Davis, Marion M. McCollom Hampton and Ivan Lansberg, *Generation to Generation: Life Cycles of the Family Business*, Boston: Harvard Business School Press 1997; Leon Danco [1975]. *Beyond survival: A business owner's guide to success*. Reston, VA: Reston Publishing Company; Ivan Lansberg. [1999]. *Succeeding Generations*. Boston: Harvard Business School Press.

¹⁷Rosenthal, M. "Safeguarding Prosperity: The State of Family Wealth." The U.S. Trust/Campden North America Family Wealth Planning Research Study, London: Camden Media Ltd., 2013.

¹⁸Rosplock, K. [2014]. *The Complete Family Office Handbook*, Wiley/Bloomberg, pg. 172 from an interview with Jay Hughes, 2012.

¹⁹Rosplock, K. [2014]. *The Complete Family Office Handbook*, Wiley/Bloomberg, pg. 365 from an interview with Iñigo Susaeta Córdoba, Arcano Family Offices, 2012.

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The Journal of Wealth Management

THE FAMILY OFFICE LANDSCAPE: *Today's Trends and Five Predictions for the Family Office of Tomorrow* 9

KIRBY ROSPLOCK AND BARBARA R. HAUSER

The family office landscape is evolving and in this article, Hauser and Rosplock discuss critical trends impacting the family office and wealth management space, as well as offer five predictions for its future.

A FAMILY OFFICE BY ANY OTHER NAME... 20

MICHAEL ZEUNER, MARIA ELENA LAGOMASINO,
AND SANTIAGO ULLOA

This article proposes an explicit definition for a family office that is role- (not services-) based. Despite the fact that the term "family office" has been co-opted by the traditional financial services industry in its marketing and positioning efforts, it may be unwise for a wealthy family to assume if they are seeking a true family office experience and set of services, they will receive it from a traditional wealth management firm just because it calls itself a family office. Rather than a list of services-based definitions, we use a definition of family office based on the role it plays for a wealthy family: a team of advisors that exclusively serves and represents the interests and agenda—broadly defined—of the family. The article discusses the different kinds of family office solutions available to wealthy families, how they can tell the differences, and why a traditional financial services company may not be able to provide a family office solution.

THE FINANCIAL RISKS PYRAMID: *Taking a Holistic Approach to Financial Advice* 27

NICOLA ZANELLA

The article presents a broad and comprehensive guide to personal finance that the author uses to teach financial planning to advisors working for banks and insurance com-

panies. This is an attempt to create a holistic approach to financial planning, managing the risks that could damage the different forms of individuals' wealth: mortality risk, liquidity risk, credit risk, property risk, standard of living risk, and aspirational risk. The main idea is that financial advice should be concerned about the global wealth of individuals. For example, in addition to financial wealth, people who work have the so-called human wealth that derives from their specific ability to generate income. The risks pyramid presented here is an organized process to treat personal finance with a rigorous yet simple method. To achieve it, many insights from behavioral finance are used.

ENTREPRENEURIAL PHILANTHROPY: *An Exploratory Review* 35

JOS RATH AND THEO SCHUYT

The state and the philanthropy sector both serve the public good. The state offers social services, develops social programs, and funds projects; the philanthropy sector contributes by giving time and money. The market, the business community, being the third actor, frequently will not easily see social issues in line with its own interests and in general will not create any solutions. In the late 20th century, however, a market approach of philanthropy, described here as "entrepreneurial philanthropy," occurred. It performs under different titles, from "venture philanthropy" to "philanthrocapitalism". This article offers an introduction to the concept of entrepreneurial philanthropy and its features. Where does it come from, what does it stand for, and what are the motives behind it? For non-profit organizations, there will be a challenge in trusting that entrepreneurial philanthropy will serve them well. Therefore possible consequences of this business appearance within the philanthropic domain will be considered.

SELECTED TOPICS IN FINANCIAL LITERACY 47

JOHN A. HASLEM

Financial literacy has become a major area of research in recent years, both in the investment and retirement literature with respect to the increasing complexity of financial