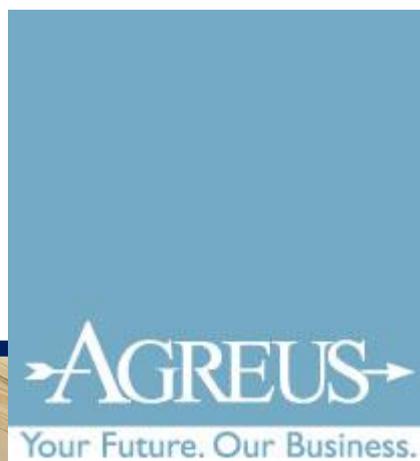


# Do you REALLY need a Family Office?



Single Family Offices as a structure came into the limelight in the 1800s when it became necessary to adopt a different method of management for the immense wealth amassed by John. D Rockefeller. The services offered may be compared to high-end Private Banks or Wealth Management firms, however a Family Office can also go above and beyond the limitations of these public companies and in reality, can differ by a vast amount.

The most successful Family Offices act like a multidisciplinary company that can offer expert services ranging from accounting, investments, tax and trust advice, concierge and lifestyle management. The beauty of a Single Family Office is that you can tailor it to your specific needs whereas the beauty of a Multi-Family Office is that you can benefit from those services immediately instead of waiting for it to be set up. So what do you do?

To determine what kind of Family Office you may require, and essentially to see if it is necessary to have one in the first place, we at Agreus have outlined below the pros and cons of both single and Multi-Family Offices to try and help you make a more informed decision.

### **Single Family Offices (SFO)**

A Single Family Office is an entity that is set up to manage the interests of one specific family. This is where Single Family Offices differ from the likes of Wealth Management firms or Private Banks and even Multi-Family Offices as you can ensure that you have the sole attention of the professionals you employ. It can also create better communication between family members and act as a common hub where everyone can go to ask for advice and sort out any pending problems.

So when is the correct time to think about setting up a Family Office for yourself?

1. You have an ultra-large amount of complex wealth and require a more customized service.
2. You require a tighter control of your assets.
3. You are looking at ways to conserve your wealth for future generations.
4. You require a high level of confidentiality and privacy due to public exposure etc.
5. Your wealth is active and it needs constant management.

A Single Family Office can successfully offer you solutions to any of these points however there are a few other factors you must take into account.

Single Family Offices are perhaps more of an option for the ultra-wealthy. Many professionals suggest that a family should hold anywhere from \$100m - \$400m + in assets to be able to successfully afford and maintain a Single Family Office that will protect and eventually grow their wealth. An SFO can cost \$1 million upwards per year to maintain as you have to acquire all of the components yourself; staff, premises, technology and software to name the obvious and then continually adapt depending on circumstances.

A family with significantly lower assets may then question if an SFO is even worth it – it all depends on the need of your family. A family that only requires an accountant and an office manager for example will not cost as much as a family office employing investment specialists, lawyers, tax professionals and PAs but there is still significant cost.

On the plus side, Single Family Offices offer the highest level of privacy and confidentiality. You get to choose the people that are going to manage the wealth, enabling a better oversight and a closer bond with your team as a high level of trust is necessary from both parties. They also prove their worth if it is essential for internal affairs or disputes to be kept within the family and away from the public eye.

When the wealth of a family is pooled together in one office it also helps the different areas not to become fragmented as family members increase or move away from any original businesses. As the office is tailored to your specific needs, your professionals will always know the best way to preserve any fortune.

**Example:**

*A high net-worth individual that recently sold his business in London suddenly came into a large amount of affluence. Instead of staying with his wealth management firm that only looked after his investment interests, he decided to set up a Single Family Office to manage all aspects of his wealth and centralize the control over the assets. In this case, a Single Family Office was the best option because of the amount of wealth and because he had extremely customized requirements. The family office was built to cater to these needs employing professionals that he has had trustworthy relationships with for years prior. The high level of trust and convenience means that he is able to carry on with other activities knowing that his wealth is well looked after.*

**Multi-Family Offices (MFO)**

Multi-Family Offices can grow from a number of different sources. They could have originally been a Single Family Office that looked to share costs with other families, a set of families looking to go into business together from the beginning, or they could even have been a wealth management firm where a team of professionals decided to cater only to the needs of those HNWIs.

When then is it the correct time to consider a Multi-Family Office platform instead of a Single Family Office?

1. When you have wealth but are not sure if you will be able to sustain your own set-up.
2. You require specific expertise relating to a particular asset class or type.
3. Your wealth isn't particularly active.
4. If you have less time to be involved with a family office.

As stated above, Single Family Offices are incredibly costly and are recommended to those ultra-wealthy individuals with \$100m or more in assets. However, even these ultra-wealthy are now considering a Multi-Family Office platform as a way to save money and consolidate cost.

This might be the one of the main pros of using a Multi-Family Office. A Family wishing for a more customized service can still receive it with perhaps a fraction of the cost as the infrastructure, staff and technology are already in place and shared between several families. Typically, families with assets ranging from \$10m + could join a Multi-Family Office as there are often offices that cater to less affluent clients.

MFOs also bring unparalleled expertise as staff have to meet the unique needs of several families instead of only catering to one. This expertise is also in most cases readily available instead of it having to evolve over time with a new Single Family Office.

On the other side of the coin, you may not prefer a Multi-Family Office because your needs are not the main focus of the professionals employed to manage your wealth; although you still receive a customized experience, they are also offering those services to perhaps up to 30 other families and so might not have the immediacy present in a Single Family Office. There might also be a dominant family where the Multi-Family Office originally grew from whose needs and requirements are given more a priority.

Using a Multi-Family Office may also mean relinquishing some control over your wealth; scary at first but may be in the family's best interests to know that an independent outside professional is dedicated to managing the wealth, often preventing disputes from overbearing patriarchs or disagreeing family members. Arguably, the largest challenges facing Multi-Family Offices are managerial, but this can be avoided with clear and regular communication with your main point of contact.

Neither MFOs nor SFOs sell products like your private bank or private wealth management firm. The main way that MFOs differ from SFOs on the services they provide is that Multi-Family Offices sometimes do not offer investment advice; these services are outsourced to independent investment managers.

**Example:**

*A 2<sup>nd</sup> generation high net-worth individual with lots of property assets and interests decided to join a Family Office structure to help manage his assets more cost effectively. Due to the fact he only needed an office for his dealings in property, he decided to join a Multi-Family Office that specialized in property management. This meant that he immediately had access to the expertise, advice and infrastructure and could start using these services to benefit his requirements.*

One thing to be certain about is that when considering a Family Office of any sort you must first assess your own wealth and the requirements needed to manage your wealth to see which structure will serve you best. As we have outlined on other reports, every family office is unique because every family is unique and therefore there can never be a specific cost or guideline structure when looking to set one up.

You may alternatively be looking at this report thinking that you need some sort of management structure in place but a family office is not going to suit your needs; that is fine too. In some cases, all it needs is the hire of a professional, experienced consultant in the specific field of your assets to advise you and talk you through any decisions you may have to make. Obviously this is cheaper than setting up your own family office, but you need to make sure the advice of one or two individuals will suffice.

**Example:**

*A 2<sup>nd</sup> generation individual was looking for a help with reporting across a range of assets but wasn't too proactive with investments. He didn't have the time to run or be involved in a Family Office. The solution here was to hire a consultant to do his reporting on specific days a month. This saved the individual time and money yet he could still rest assured that the job was being done.*

Single Family Offices are changeable. They can be disbanded and altered at any time which could mean recruitment difficulties. Multi-Family Offices are a lot more stable because they are a separate company; they carry on even when families come and go.

So do you really need a Family Office?

We say yes, you do. There are such diverse structures available around the world then there is no excuse for any family or individual with a large amount of wealth to not benefit from a Family Office platform. If you have wealth but cannot consider a Single Family Office because of cost reasons then find a Multi-Family Office that will fit your requirements. Knowing that someone else outside of your family set-up is dedicated to protecting, growing and managing your wealth is worth it.

Those with larger amounts of complex wealth should always consider the option of a Single Family Office and this is where Agreus could help you. If you have decided on your own entity and are now thinking about the next step, whether it be advice on how to go about setting up, licencing and ultimately staffing your office then please feel free to get in contact with one of our consultants. We are always happy to offer advice and discuss how we could best help you.