

The New Family Office

Innovative Strategies for Consulting to the Affluent

Contents

Author biography	xi	
Foreword	xiii	
Acknowledgements	xv	
Introduction	1	
Problems for the financial services industry	1	
Problems for the family office industry	2	
The solution	3	
The future of the financial services industry	4	
The purpose and structure of this book	4	
Part I	The historical basis for the family office's appeal	7
	Introduction to Part I	9
Chapter 1:	Evolution of the family office model	11
	Introduction	11
	Origins of the family office	12
	Early securities investment and the construct of family assets	13
	Industrial icons create a need for larger family offices	14
	'Waves of wealth' and multiple generations complicate family wealth	15
	Other emerging wealth concerns	18
	Expansion of the family office	19
	Services and structure of the family office	20
	Key objectives of the family office	22
	The family office of today	23
	Conclusions	25
Chapter 2:	Separately managed accounts: the 'Holy Grail' of the financial services industry	27
	Introduction	27
	Legislative changes foster the development of SMAs	27
	Lockwood's pension fund business model	29
	The introduction of separate accounts for individuals	30
	Educating the brokerage community	31
	Early operations of the broker/consultants	33
	Conclusions	34

Family office models: melding old objectives with new structures	37
Introduction	37
An overview of family office models	39
Variations on original model themes	44
New family office models	47
Family offices around the world	50
Measuring value	50
Challenges and issues families face	51
A round-up of family office models	51
Facing the emerging realities	54
Introduction	54
Landscape of the financial services industry	55
The financial services industry view of consulting	55
The family office view of consulting	59
What the wealthy are seeking	61
Who are the wealthy?	63
The basics	65
Introduction to Part II	67
Creating efficiencies through collaborative networks	69
Introduction	69
Team dynamics and the waves of change	70
Team collaboration with outside advisors	72
Enhanced efficiency and profitability	73
How to create efficiency and reduce costs	75
A new version of the team model	78
What technology can and cannot do	81
Harnessing the power of information management	83
Introduction	83
The next 'big frontier'	83
New technology mandates	84
The 'virtual' family office	85
Functional overlap between the industries	87
The state of technology in the financial services industry	87
The state of technology in the family office industry	89
Summarizing the technology platforms	92

	Technology case studies	94
	Preparing for future success	97
Chapter 7:	The feasibility of the new family office models: costs and how to manage them	99
	Introduction	99
	Considerations in setting up a new family office practice	101
	Costs of becoming an independent wealth optimization consultant	102
	Monitoring costs and creating a business	105
Chapter 8:	Family dynamics and governance	107
	Introduction	107
	How family dynamics shape family office structure	107
	Indigenous generational dynamics	109
	The family governance ingredient	112
	Concerns regarding governance	113
	The growing role of philanthropy	115
	The wealth optimization consultant's role in governance	116
	The growing influence of women and minorities	116
	Conclusions	117
Part III	Competitive advantages of expanding your practice	119
	Introduction to Part III	121
Chapter 9:	Education: the differentiating factor when applying wealth optimization skills in the new model	123
	Introduction	123
	Why ongoing education is essential	123
	Educational resources	125
	Incorporating family dynamics	126
	The role of the wealth optimization consultant	128
	Involvement in the family council	129
	Specific education needs	129
	Conclusions	132
Chapter 10:	Attracting the wealthy and their advisors	134
	Introduction	134
	Key characteristics of wealth and the wealthy	134
	The needs of the wealthy	137

Further characteristics of the wealthy	138
Cycles of affluent personalities	140
Conclusions	140
Expanding advisory practices into wealth optimization businesses: deciding how to compete	142
Introduction	142
The competitive framework	142
Compensatory concerns	143
The transformation process	143
Conclusions	154
Effective marketing and client education	156
Introduction	156
What marketing is designed to do	156
The difference between advertising, marketing, and sales	157
The source of marketing success	160
The marketing plan	162
Marketing materials	163
Conclusions	165
The new family office: the optimization of family office services	167
Introduction	167
The advisory perspective	168
A new business model	168
Optimization is the key	169
The focus of the wealth optimization consultant	170
Models of the future	171
Outsource resources for wealth optimization businesses	173
Philanthropy	173
Educational organizations	173
Web-based client service platforms	174
Performance measurement and attribution	174
Connectivity	174
Virtual connectivity	175
Technology service providers for financial institutions	175
Industry trade magazines	175
Institutional Investor journals	175
Other journals	176