

Key Family Office Considerations for Financial Success

by Marc Corigliano, CIMA®

September 2023

Ultra-High-Net-Worth (UHNW) families are commonly designated as those having \$30 million or more in liquid assets.¹ Family assets may fluctuate over time due to global markets performance, but as the overall wealth and complexity of that wealth changes, so do the questions UHNW families ask themselves. Such families invariably ask at some point, “When is it time to consider forming a Family Office?”

A Family Office can serve different functions for different families. Typically, a Family Office is an entity established by wealthy individuals to manage family wealth in addition to providing other services, such as tax planning, estate planning and various forms of lifestyle management.² Additional family office services can include charitable planning, multi-generational business planning, and liquidity event management.²

UHNW families have a unique set of financial complexities and challenges. They maintain intricate investment portfolios, often utilizing both public and private investments. Sometimes there are other sources of wealth for consideration, such as a family-owned business or concentrated stock positions. Additionally, there may be privacy or security concerns, particularly in the case of high-profile individuals and celebrities. Lastly, for multi-generational families, there may be a desire to establish a legacy through gifting or charitable work.

How a family navigates these complexities can often mean the difference between increasing or decreasing wealth and perhaps merits considering the establishment of a Family Office.

Why Create a Family Office?

A popular saying among professionals who work with Family Offices is “If you have seen one Family Office, you have only seen one Family Office.” Because each UHNW family has their own unique set of needs, goals, and circumstances, there can be many advantages to establishing a Family Office to specifically address the family’s needs.

¹ <https://www.forbes.com/advisor/investing/financial-advisor/high-net-worth-individual-hwni/> - September 6, 2023

² <https://www.sec.gov/news/press/2011/2011-134.htm>

This report is intended for the exclusive use of clients or prospective clients (the “recipient”) of Fiducient Advisors and the information contained herein is confidential and the dissemination or distribution to any other person without the prior approval of Fiducient Advisors is strictly prohibited. Information has been obtained from sources believed to be reliable, though not independently verified. Any forecasts are hypothetical and represent future expectations and not actual return volatilities and correlations will differ from forecasts. This report does not represent a specific investment recommendation. The opinions and analysis expressed herein are based on Fiducient Advisor research and professional experience and are expressed as of the date of this report. Please consult with your advisor, attorney and accountant, as appropriate, regarding specific advice. Past performance does not indicate future performance and there is risk of loss.

The benefit to having a Single-Family Office (SFO) is endless customization opportunities. Some additional advantages of forming a SFO include:

- Tailored and comprehensive wealth management
- Customized investment strategies
- Tax planning, preparation and optimization
- Risk management and asset protection
- In-house legal, tax, and estate experts
- Bill payment, lifestyle and personal assistant services
- Consolidated financial reporting
- Philanthropic planning
- A dedicated team who knows and understands family dynamics
- Generational planning and family wealth education

Do I have to start my own Single-Family Office?

Single-Family Offices are not the only way UHNW families can achieve Family Office simplicity; there are Multi-Family Offices (MFO) and Virtual Family Offices (VFO) as well. An MFO, as the name describes, is an entity managing the assets of two or more families. There are benefits to operating this way as the costs and decisions can be spread out amongst various interested parties. The downside to a MFO is that there may not be the same customization opportunities since families will be working alongside other families, each with their own unique circumstances and needs.

Another alternative is the Virtual Family Office, which utilizes the family's current legal, tax, accounting and other service providers while an advisor manages day-to-day communications and projects related to the family. The advantage of a VFO is similar to the MFO approach of using pooled resources, but the VFO will allow customization and flexibility with the existing service providers. Virtual Family Offices can usually be established for significantly less upfront cost as the infrastructure is already in place. Additionally, the ongoing annual expense is streamlined since the existing service providers handle all staffing and logistical operation needs.

Keep in mind...

There are many considerations (and at times, challenges) to establishing a Family Office. The challenge at the forefront for most families will be cost evaluation. The costs may not be prohibitive, but they also may not be necessary. Upfront costs can be significant or relatively minimal depending on the complexity of the Family Office. The majority of these upfront costs are usually legal and attorney fees. The ongoing operational costs are somewhat easier to quantify, with most Family Offices reporting total annual operating fees of 1-2% of

family assets.³ These ongoing costs are attributed to different factors such as staffing and talent acquisition, operational and office expenses, investment management-related fees, research-related fees, accounting services, legal services, etc. One way to mitigate costs is through the Multi-Family Office structure as many of these services can be pooled. Another option is a Virtual Family Office, which is extremely efficient in terms of ongoing costs compared to Multi and Single-Family Offices.

Is a Family Office Right for You?

Family Offices can bring a very valuable element to UHNW individuals' lives: simplicity. However, it doesn't always make sense to go through the exercise of establishing a Family Office. Careful due-diligence and examination is required to see if this route is the best path for your family to achieve its long-term goals. The right time to explore a Family Office for one family can be very different for another family. Asset size is important but by no means the determining factor as to when it makes sense to establish a formal structure, and considering the various Family Office structures should also be part of the discussion.

Rather than asking "When does it make sense to start a Family Office?", we encourage families to instead ask ***"What is hindering my family from achieving financial simplicity?"*** Perhaps a Family Office (or some version of it) will make life easier, or perhaps a family just needs help in one or two areas of their financial management.

Whether it is working with the family's existing professionals in a new capacity, exploring some type of formal Family Office structure, or perhaps just reviewing existing procedures and responsibilities regarding how wealth is being managed, it is important for families to regularly review goals and explore areas to streamline financial complexities.

To elevate your understanding of Family Offices and unlock new possibilities, get in touch with The Wealth Office® at Fiducient Advisors now. To learn more about our services and connect with our expert consulting team [CLICK HERE](#), and enhance your financial knowledge.

³ <https://www.privatebank.citibank.com/insights/the-costs-of-running-a-family-office - August 9, 2022>

About the Author

Marc Corigliano, CIMA®, *Consultant, The Wealth Office®*



Marc provides investment consulting services to nonprofit organizations, corporate executives, family trusts and other private investors. He supports clients by offering expertise on asset allocation, portfolio design, investment policy statements, manager selection and financial planning. He is a member of the firm's Research Forum. Prior to joining the firm in 2021, Marc was an Assistant Vice President of Alternative Investments at Nuveen. He earned a BA in Business from Rhodes College and a MS in Finance from the University of Notre Dame. He obtained the title of Certified Investment Management Analyst (CIMA®) from the Investments & Wealth Institute™ accreditation program at the Wharton School of Business. In his free time Marc enjoys golfing, watching college football and spending time with his family.