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THE COMPLETE

# FAMILY OFFICE

HANDBOOK

A GUIDE FOR  
AFFLUENT FAMILIES  
AND THE ADVISERS  
WHO SERVE THEM

KIRBY ROSPLOCK, PHD



# ADDITIONAL PRAISE FOR *THE COMPLETE FAMILY OFFICE HANDBOOK*

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# **THE COMPLETE FAMILY OFFICE HANDBOOK**

**A Guide for Affluent Families  
and the Advisors Who Serve Them**

**Kirby Rosplock, PhD**

**WILEY**

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Because this book includes professional opinions and experiences of the authors and contributors, individuals and family office advisors, should use these opinions and experiences as guideposts and not as hard and fast rules. There are many exceptions to the cases and advisement presented in this book, and each family should work with their team of qualified experts, accountants, and legal advisors to determine the best course of action(s) appropriate to their specific situation(s).

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*This book is dedicated to my family, the families involved in writing the book, and families who are seeking clarity on how to preserve, promote, and sustain family wealth.*



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# Foreword

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A wise woman once told me “Jay the only reason to have resources is so I can have services.”

Kirby Rosplock has provided us with a handbook that comprehensively describes the services, both qualitative and quantitative, that a family office, of various types, can provide to families with resources. A handbook is defined by Webster’s Third International Dictionary as “a concise reference book covering a particular subject or field of knowledge—a manual.” Kirby’s book is just such a concise reference manual to the field of family office services.

What is the purpose of services provided to families by family offices, regardless of whether the office is a single family or multi-family office? The purpose is the removal of obstacles to an individual family member’s ability to integrate and use resources, normally created by a previous generation of his or her family, toward that individual’s greater freedom, thriving, and flourishing. Obstacles that if not removed may not only lead to the failure to flourish of those individuals, but to the risk of the entropy—entropy as entitlement, dependence, and remittance addiction—that leads to the entire families’ system failing. These obstacles then become a detriment not only to the dynamic preservation of the individual’s and the entire families’ financial capital, but much more importantly obstacles to the growths of their human, intellectual, social, and spiritual capitals.

As Kirby describes, these latter four capitals require services that are qualitative and substantially more complex to provide than those that serve a families’ quantitative needs. She makes clear that distinctions between service providers frequently lie along the divide between services that are purely quantitative and those single family and multi-family offices that offer qualitative services as well.

In my opinion, this distinction is of great importance to a family’s success in obtaining the family office services it needs to overcome the obstacles, one may say the “risks” to their family that entropy poses, as The Family Office Exchange brilliantly described them in its 2006 paper, “The Family Office as Chief Risk Manager.”

All of us who serve families seeking to avoid the suffering described for a family by the universal cultural proverb “shirt sleeves to shirt sleeves in three generations,” in its many iterations, are in Kirby’s debt for giving us a concise understanding of the services available to us and to the families we serve. An understanding that will help us help these families avoid the proverb’s sad forecast and the suffering it represents as the bonds of family rupture. How much better to find and use the quantitative and more importantly qualitative services a family office offers to help a family flourish for many generations through the enhancing of each family member’s journey of happiness!!!

Thanks Kirby.

James (Jay) E. Hughes, Jr.

# Preface

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If you are reading this, you are likely in one of three camps: You are an individual considering the possibility of building or joining a family office, you're an individual with an existing family office and looking for ideas of how to enhance or transform it, or you may be a professional working in wealth management or advising enterprising families who is looking for leading-edge resources to better serve your clients. Whichever category you find yourself, this book provides you with current knowledge, research, and cutting-edge approaches from thought leaders in the family office industry and gives you real life examples and experiences to guide you as you envision, plan, and develop your family office. But, before you read more, you may find it helpful to understand that this book is geared to the *enterprising family*, first and foremost; however, wealth advisors and other professionals may find the commentary and recommendations useful to apply to their families as well.

The genesis of this book stems from editing *A Thought Leader's Guide to Wealth: Insights from Thought Leaders and Pioneers* (2009), a commemorative book to celebrate, honor, and acknowledge some of the great thinkers who informed the founding of GenSpring Family Offices, one of the first multi-family offices in the United States. Jay Hughes Jr. was among the contributing authors, and I recall conversations about the lack of practical information about how a family office operates, the services it provides, how it is managed, and why they exist in the first place. I never thought I would be the one to try and codify such a massive body of knowledge, but perhaps my curiosity or my hope to solve similar issues in my own family was the catalyst. Thankfully the support and wisdom from so many exceptional family office executives and families inspired my drive and determination to see this through to fruition.

Yet, the journey to write this book is also deeply personal. As a family member, owner, and board member of a fourth-generation family business, and a co-trustee of a family foundation, much of the content in this book is germane to my family and me. I hope other families who are facing

similar issues find it useful and applicable. Spending more than a decade researching and writing in the family business and family office universe, the book that followed is a combination of more than 60 interviews conducted while on sabbatical in 2012 with family office executives, family office owners, industry leaders, and family members. Additionally, I reviewed hundreds of articles, books, and research reports and collected data from families in the United States, to Europe, the United Kingdom, the Middle East, Asia, and Australia. Yet, the more I learned along this journey, the more I realized what I did not know. As a result I collaborated with top attorneys at Withers Worldwide, leading independent advisors in governance, family banks, entrepreneurship, operations, and information technology. This book provides their wisdom and many years of experience and thoughtfulness with the important and distinguishable needs of the family office client.

The *Handbook* is laid out in a chronological order. Chapter 1 provides an introduction to family offices, and Chapter 2 overviews the various paths that families may take to build or create a family office. Chapter 3 discusses a family's wealth management needs and how there are a number of different wealth management and family office solutions; this chapter teases out many of the differences between a single family office (SFO) and a multi-family office (MFO) and helps to demystify the family office verbiage and marketing that exists. Chapter 4 discusses a family's values and how to create a family office mission and vision statement. Chapters 5 and 7 are written by prominent attorneys with Withers Worldwide. Chapter 5 provides guidance on family office formation and the legal structuring of a family office. Chapter 6 shares an approach in creating a baseline of information family offices need to know to serve their families and identifies cornerstones of wealth management in a family office including estate, financial, wealth transfer, and governance planning. Chapter 7 clarifies the legal, fiduciary, and compliance requirements for a successful family office today. Chapter 8 reviews the investment management approach of the family office. This chapter covers the nuts and bolts of identifying a family office's investment objectives, philosophy, and the use of investment policies statements. Chapter 9, which was co-authored with a leading family office operations expert, discusses the process to design and implement a family office and IT infrastructure with the client's goals and objectives in mind. This chapter offers the advancements in information technology, operations, and risk management to enhance your family office's performance. Chapter 10 explains the talent management needs of successful family offices and shares best practices with hiring talent, incentivizing, managing, and retaining key employees. Chapter 11, which is co-authored with a leading family office governance expert, discusses

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the importance of governance and succession planning in the family office. Chapter 12 provides insight in preparing next-generation family members and how to prepare succeeding generations for the opportunities of wealth. Chapter 13, which is co-authored with a leading family bank expert, shares the opportunities and challenges of a family bank and the use of intra-family loans to inspire the next generation wealth holder. Chapter 14 provides a discussion of the importance of philanthropy and legacy in affluent families and the role of the family office. Finally, the book concludes with a discussion of the globalization of the family office and looks at cases and trends in six of seven continents around the world. This book provides a comprehensive overview of the various attributes of the family office and gives insight to the inner workings of some wonderful family offices and family office trends around the globe.



# Acknowledgments

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This book took a village to write and there are many to thank for their support, wisdom, time, introductions, and professional experiences. First to the families and family offices who shared their personal stories—this book is only possible because of your trust. Thank you to my family and especially my husband, John who provided constant support and encouragement. Thank you to James (Jay) Hughes for giving me the courage to take on this task and being an inspiration, advocate, and mentor. My deepest appreciation for the wisdom and knowledge shared by (in alphabetical order) Abby Raphael, Alex Scott, Angelo Robles, Ann Kinkade, Anna Nichols, Anne Ethridge, Annette Rahael, Barbara Hauser, Benjamin Kinnard, Bob Casey, Carolyn Friend and Jamie Weiner, Charlotte Beyer, Chris Battifarano, Christin McClave, Christina Burroughs, Claudia Sangster, Dan Berg, Daniel Goldstein, David Friedman, Daisy Medici, David Guin, David Martin, David Lincoln, Dennis Jaffe, Dennis Kessler, Denny Chared, Dianne H.B. Welsh, Dirk Junge, Drew Mendoza, Ellen Perry, Edouard Thijssen, Fran Lotery, François M. de Visscher, Fredda Herz Brown, Greg Curtis, Gregory T. Rogers, Gunther Weil, Hania Hammoud, Howard Cooper, Íñigo Susaeta Córdoba, Iris Wagner, Ivan Sacks, Jack Parham, Jason Born, Jane Flanagan, Jay Totten, Jesus Casado, Joanie Bronfman, Joe Calabrese, John A. Warnick, John Benevides, Jon Carroll, John Davis, John and Eileen Gallo, Joline Godfrey, Jonathan Lidster, Josh Kanter, Joe Lonsdale, Juan Luis Segurado, Juan Meyer, Juan Roure, Judy Green, Justin Zamparelli, Kathryn McCarthy, Keith Whitaker, Kit Johnson, Kent Lawson, Karen Neal, Laurent and Lori Roux, Lee Hausner, Linda Mack, Lisa Gray, Lyat Eyal, Maria Elena Lagomasino, Mark Haynes Daniell, Martin Whittaker, Mark Tice, Matt Walker, Michael Sallas, Mindy Rosenthal, M.J. Rankin, Mykolas Rambus, Nava Michael Tsabaris, Nazneen Kanga, Olivier Richoufftz, Pat Soldano, Patricia Cole, Paul McKibben,

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## CHAPTER 1

# Introduction to the Family Office

Kirby Rosplock, PhD

In today's wealth management marketplace, there is a keen interest in the family office, especially now that celebrities and business moguls are establishing their own family offices. Once a relatively unknown term accessible only to the *über*-affluent, the family office has increasingly become more mainstream—yet it remains an enigma. What is a family office, and what are the typical paths that lead a family to either start their own single family office or join a multi-family office?

The definition of family office varies depending upon whom you ask; generally, they are designed to prepare family members to collectively manage, sustain, and grow their wealth across multiple generations. Family offices can aid families in managing the numerous risks that affluence exposes families too. In addition to offering a potentially wide array of services, such as tax, fiduciary, and compliance needs; investment management, risk management, estate planning, and trust administration; philanthropic advisement, financial education programs for family members; and family governance and wealth-transfer planning, the family office ideally has a higher purpose to bridge generations in order to create continuity and cohesion for families around their wealth. Those who may be familiar with the concept of the family office may not know how to identify whether it is right for their families or their client families.

This book demystifies the concept of the family office and clarifies who should consider joining a multi-family office or start their own single family office. The book also explains the importance to define and discover the

overarching purpose and vision of a family office. It clarifies what services may be rendered by the office and what the expense to the family may be. This guide will serve as a useful tool for affluent families, individuals, and philanthropists, as well as for practitioners and industry professionals, as it educates them about the important functions that the family office may render today and for generations of family yet to be born.

We begin with an overview of macro trends in global wealth and then segue to a discussion of the historical roots of the family office in Western economies, which is rooted in the growth and proliferation of family enterprise.

## **A Macro View of Global Wealth**

There is an art and a science to assess affluence, which starts with defining how much you have to have to be considered wealthy. We all have our own individual definitions; however, most industry research firms classify those individuals with a minimum of \$1 million as a high-net-worth individual (HNWI). For most individuals at this level of wealth, the option of a family office is not on their radar screen as a wealth management solution. And one industry research report estimates that the total population of HNWIs is estimated at 10 million individuals globally, an increase of 2.9 million individuals since 2001.<sup>1</sup>

Wealth-X, a prominent research firm, has concentrated solely on understanding the demographics and wealth profile of the ultra-high-net-worth (UHNW) individual, who has a net worth greater than \$30 million.<sup>2</sup> Wealth-X's research reveals that there are 199,235 UHNW individuals across the globe whose combined wealth is \$27.8 trillion<sup>3</sup> (all amounts are in U.S. dollars). There was a growth of 6.3 percent in the global population of UHNW individuals over the last year.

The concentration of wealth in the hands of UHNW individuals is further evidenced by the fact that the world's top 20 wealthiest individuals represent a combined fortune of more than \$700 billion.<sup>4</sup> Yet, when we look at the various strata of the affluent, it is clear that the largest tier in terms of population are those with \$30 to \$49 million. This group comprises 43.1 percent of the total UHNW population and its overall wealth increased by 6.9 percent (see Table 1.1).

Wealth-X found that the UHNW population is predominantly populated by men, who make-up 88 percent of the group. The typical profile is a gentleman who is married (95 percent), educated with a minimum of