



Multi-Family Office – What Is It and Is It Right For You?

A single family office is a private company that manages investments and trusts for a single affluent family. The company's financial capital is the family's own wealth, often accumulated over many generations or after the sale of a family business. The range of family office services vary depending on the goals of the specific family. Some family offices offer strictly strategic and investment management services, while others offer everything from strategic planning to financial and tax planning, wealth transfer planning, financial recordkeeping, real estate management and philanthropic advisory services.

Individual families start family offices to take advantage of any of the following benefits:

- One central source for information on, advice about or overseeing of all the family's financial matters.
- Pooling of investment funds across a family group, resulting in lower investment management fees and better service than individual family members could attain on their own.
- A dedicated team of professionals who are focused on a single family's goals in a completely confidential manner.
- Continuity from generation to generation on issues of family trusts, family values, or family philanthropy.
- Access to professional advisors who can educate family members about their responsibility of ownership and governance.

While asset size is not the only factor in the decision to establish a single family office, however in most cases, it makes financial sense for a family with liquid wealth in excess of \$75 million to start and staff a single family office. As a result of the high threshold required to create a single family office, many high net worth families are opting for multi-family office structures.

Family offices have long been prevalent in the United States. Single family offices began in the late 1800s and have expanded and grown as these managers took on the affairs of friends. The number of multi-family offices in the United States rose 30% in 2006 and make up almost 4% of the high net worth marketplace. It is estimated that there are between 2,500 and 3,000 family offices in the United States.

While there are only a handful of independent family offices in Canada, the number of high net worth families who fit the multi-family office model will only rise. More

than 7,000 Canadians have investable assets in excess of \$20 million and approximately 450,000 with between \$1 million and \$20 million. With this anticipated transfer of wealth expected over the next 10 years – it is anticipated that 70% of Canadian businesses will change hands.

The multi-family office structure responds directly to the often complex needs and demands of the affluent. Since the multi-family office concept evolved from the single family office model, where all services are centered around and customized around the needs of the family, there is a need to replicate that service level and experience with the multi-family office. That means responding to clients in creative ways with customized services, capabilities and product solutions. The integration of specialized services and solutions may extend far beyond those typical of private banks.

The service orientation of a multi-family office is uniquely tailored to meet the needs of the individual family. It is extremely difficult to use a generic approach for this type of client. The process is relationship-intensive and requires a personal approach in order to gain an understanding of how to best serve the family.

Benefits of the Multi-Family Office

Objective financial advice

A multi-family office should not have conflicts of interest. Because most investment managers/private bankers are paid to gather assets under management, they may not have the time or inclination to seek the best financial advice from all providers. However, the team in a good multi-family office works to choose from all suppliers and ultimately deliver “best of breed” investment managers, insurance and loans to their clients.

Creative solutions to financial problems

The multi-family office team must be knowledgeable about an array of strategies to ensure the best solutions for the financial problems of their clients. This means that the team should comprise of skilled professionals with experience across many technical disciplines including investments, tax, insurance, estate and financial planning.

Costs savings

Through combining a client's assets, multi-family offices can implement relationship pricing and offer greater economies of scale shared across multiple clients on investment portfolio management, insurance, etc.

Consistent delivery of services

The multi-family office must have the ability to deliver a high quality of service in a consistent manner. This requires the team to work together to solve unique, often complex issues for the client.

Long-term view of relationship building

Most organizations realize that working with clients in a comprehensive manner leads to deeper and longer lasting relationships. Building good relationships can take a long time.

With so many investment firms/advisors trying to penetrate the high net worth market, the question of market saturation arises. There are a lot of firms out there claiming to be in that space selling packaged solutions, but it's not saturated from the perspective that there are a lot of firms out there actually delivering the service and consultative approach that these clients need.

Using a multi-family office can bring certain benefits that might not be easily achieved through a dedicated single family office. A multi-family office might include a stronger team of professionals to collaborate on complex problems and to bring forward an integrated team of specialists to meet the needs of the clients.