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How Does a Family Office Benefit Your Family?

There is a lot of conversation about the features and attributes of family offices. Wealthy families are justifiably a bit confused by all the rhetoric and boasting, especially since almost everyone in the financial services industry claims today to be a “family office”—such terms or statements as “being independent”, absence of proprietary products, staff to client ratios, “sitting on your side of the table”, “client first” and being there “just for you” are standard fare in presentations on this subject. They are not particularly meaningful.

The battle of credentials by the providers of these services is also a hot topic. Just how many graduates of HBS or alums from Goldman Sachs are in the family office industry? From the websites you visit, it looks like a very high percentage of their grads are in this business. Is that true? Does it really matter?

What is often missing from presentations on family office services is a clear articulation of the *benefits* gained from this approach to family wealth management. There is no doubt that many firms can do the requisite work—but how can a family differentiate from among competing firms? What are the key features of a “real” family office? What is appropriate for your family? Here are some simple guidelines:

Alignment with Your Interests | This is another way to phrase the classic “agency” issue present in all financial service firms. How do you assess whether the firm you are talking with is really working in your best interests? Imagine that you have the wealth and energy to support your own single-family office—is there any doubt that the people you employ would be working for you? Their work would be limited to that of your family, the compensation system would reflect their contribution to your well-being, as opposed to their own, and the protection and growth of your wealth would be foremost on their mind. Well, why not ask about that? Just how well aligned with my interests are you? How do your compensation incentives align with our family’s interests? What “other” compensation do you receive from third parties in connection with our affairs?

Customization vs. Scale | The goal of most financial service firms is to have “scale”—that is, the ability to leverage their cost structure over more assets or revenue sources. The greater the assets under management, the greater the profits. Scale is not what wealthy families generally want (unless it works for their benefit!). Rather, it is customization of services to fit their particular needs. It is also about working as a team with the family’s legacy advisors, such as the attorney, accountant etc.

The challenge with providing customized service is that it is hard to do on a cost-effective basis. Family office services are not scalable; managing investments, albeit scalable, is just part of the job... cash management, tax planning and fiduciary services require workers with particular skills and experience. The services need to be customized to achieve their intended benefits.

Implementation of plans is often over generations. How does the firm you talking with achieve this? A simple question to ask is “how much time do you have for my family?” How many other families will my team be working with? Will you be there for my family after I am gone?

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Family Office vs. Family Office Services | A true family office serves a comprehensive role in helping its family client achieve their financial goals. It is a “core” expertise, not simply an occasional or incidental activity. The services needed are many and vary greatly over time. It requires a multi-disciplined approach and professionals with experience in the complexity of multi-generational wealth management. The ultimate benefit of a family office approach is the comprehensive integration of multiple disciplines in the solution. Does the firm you are talking with have the skill sets, credentials and resources to provide this wide range of services? What are the specific backgrounds of the people who will serve you? What other families like yours do they serve? If you were establishing your own family office, what expertise and talents would you want at your fingertips?

Fractional Ownership | Families of substantial wealth often forego commercial transportation in favor of fractional ownership or the chartering of aircraft. Why have a family office yourself with the attendant costs and management headaches (think airplane maintenance, liability management issues and regulatory compliance) when you can share the costs with others? This is how “scale” can work for your family. A multi-family office, properly designed, can be yours for a fraction of the cost of a single-family office. If you could design your own family office, what would it look like? One thing for sure is that you would not want the management burden of overseeing it or to bear all the costs of staffing it. Why not share those with others with similar needs? A multi-family office can be very cost effective.

Selection of a family office that is right for your family is more art than science. Many options exist in the market but if the focus is on benefits to your family the right choice will be more obvious. Alignment, customization, breadth of services and cost are all factors that should have prominence in your discussions. Ultimately, the question to be answered is how will engaging this or that firm make life better for my family? That is the real question. For more information and guidance for selecting a family office, please see my article [Selecting a Family Office for your Family](#).

St. Louis Trust & Family Office is an independent, multi-family office and trust company that advises clients on more than \$10 billion of investment assets and more than \$12 billion of total wealth. Founded in 2002, St. Louis Trust & Family Office provides holistic, high-touch client service including customized, independent investment management and a full range of family office and fiduciary services. The firm serves a limited number of clients with substantial wealth in order to maintain very low client-to-employee ratios. Visit stlouistrust.com to explore how the firm manages complexity with unmatched expertise and focuses on Family, Always.