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MULTI-FAMILY OFFICE SELECTION

by Jan van Bueren & Thomas Ming

Family offices are 'in fashion.' A growing number of wealthy families are considering the use of a multi-family office, and an ever-increasing number of companies are starting to offer family office services.

A family office is a company that supports wealthy families with the management, organisation and maintenance of their wealth. Although there is no set minimum, the use of a multi-family office (MFO) is mostly considered by families with wealth above twenty-five million US dollars. As wealth keeps increasing worldwide, the rise of the family office model is a natural development: beyond a certain amount of wealth, (financial) needs grow beyond pure private banking services, and complementing typical banking services with those offered by MFOs makes sense. Where most (private) banks advertise, are well-recognised and have offices on the 'high street' of cities such as Zurich, London, New York and Singapore, most MFOs are defined by their discretion. Also, as only

a relatively small number of people use family offices, it is not an easy task for a family to find and select the most suitable provider. That said, as a family's wealth and future well-being strongly depend on the choice of the right provider, the selection process should be taken very seriously.

NO TWO MULTI-FAMILY OFFICES ARE THE SAME

Within the MFO universe there is no 'one size fits all' solution for every family. Most MFOs offer tailor-made and completely incomparable services. Some of the providers are specialised in philanthropic or wealth planning services whilst others focus more on lifestyle management or administrative services in order to improve the family's quality of life. This different angle is often related to the origin of the family office and the experience/background of its founders; indeed, whether the founder is a lawyer or a former banker will significantly impact the scope of his/her offering. Even when MFOs mainly offer asset management

services, significant differences may occur between the providers. There can, for example, be a focus on certain types of investment, on pure asset allocation or on reporting and consolidation services. The type of client focused on, the size of the family's wealth or the region out of which clients are serviced may also vary widely from one provider to another.

An additional reason MFOs are so diverse is the fact that, with the exception of the United States and Luxembourg, they are not regulated in most jurisdictions – even though the asset management component of their activities is usually regulated by the financial supervisory authorities. As MFO services are offered to the public without a licensing procedure, the result is a very different offering with respect to both the actual services provided and the quality of those services.

HOW TO SELECT A MULTI-FAMILY OFFICE

The preservation and protection of wealth are often the main drivers behind the use of family office services. This is why the location of the actual office should lie at the heart of the selection process. An MFO should preferably be located in a politically and financially stable jurisdiction such as Switzerland, the United Kingdom or Luxembourg, in order to safeguard the wealth and wellbeing of the family under all circumstances. A family office which is located in the home country of the family can seem like the right fit, but might also turn out to be the Achilles' heel of the whole set-up at precisely the moment when stability and protection are what the family needs. In practice, it is this kind of consideration which is often overseen or ignored by families, either because they have not been properly advised or because they simply consider a set-up in their home country as being more practical.

WHAT AND WHY?

Apart from location, the type of services sought by the family ('what') is another important factor to take into account during the selection process, as most MFOs tend to focus on a specific selection of services, rather than on a wide array of them. As most providers cannot be compared in any way, it is also important that the family stakeholders establish which goals they actually seek to fulfil by hiring a family office ('why'). A family office may focus on giving the family insight

into its financial situation, for example by offering consolidated reporting and acting as the central point of contact with banks, or it can act as the coordinator of external advisors like trustees, lawyers, tax advisors and real estate agents. But it may also specialise in more practical and operational support, coordinating household staff, acting as a private secretary and making travel arrangements for the family.

TAKING THE PROCESS SERIOUSLY

It is advisable to visit and analyse several providers before choosing an MFO. Which questions to ask when visiting different providers, what type of MFOs exist and what type of services they offer is important information that can take time to gather.

Where the primary motivation for a family in searching for an MFO is that they no longer want to deal with numerous banks and a large number of (financial) intermediaries themselves, our experience has shown that families often do not know their own needs that well, or are not aware of what kind of services are offered by different MFOs. They, therefore, struggle to find the 'right fit,' i.e. the appropriate MFO that will offer them the best-suited services.

As the MFO market is far from transparent and it is not easy to compare different providers, families often start their search by being referred by friends to the MFO they are using. Here it is often forgotten that different families have different goals and needs for MFO services, and that 'one size fits all' does not exist in the MFO industry. Also, as for the choice of a private banker, the connection one has with the MFO staff is crucially important, as they become a part of the family's life and usually remain in place for generations. If only for this reason it is advisable to visit and analyse several providers before deciding which MFO provides the better match.

FOSS Family Office Services Switzerland (FOSS), is part of the wealth planning services of Union Bancaire Privée, UBP SA in Switzerland. FOSS is a web platform developed by Jan van Bueren & Thomas Ming specifically to support families with the selection of a multi-family office.

www.switzerland-family-office.com

