

The family way

The modern family office deals with many issues **By Brent Barrie**



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The family office has a surprisingly long history. In the early 1800s, the family of J.P. Morgan established the first family office in North America. Dating from 1882, the Rockefellers' family office is now serving the seventh generation of the family.

A family office is a private company that manages investments and trusts for a wealthy family. While few business families accumulate the wealth of the Rockefellers, many encounter the same issues that lead the super-wealthy to establish a family office: the search for independent professional advice, cost minimization, tax efficiency, and perhaps most importantly, a structure to safeguard the interests of the family and all its members.

The modern multi-family office provides access to the benefits of a family

office at a far lower cost than creating one from scratch. Well established in the U.S. and Europe, Canadian business owners now also increasingly turn to multi-family offices, especially as they contemplate succession planning and the family legacy.

What characterizes a family office?

Independence: A family office works for their client families, and no one else. It sells no products, and accepts no third party commissions or other payments. A family office is completely indifferent as to where and how your wealth is invested, so long as it meets the needs of your family.

No portfolio required: Unlike traditional financial advisors, a family office frequently works with families who have all their wealth tied up in business ventures. If over time your wealth becomes diversified, a family office can oversee the overall investment allocation, ensuring your assets are aligned with the needs of your family.

Team oriented: We live in a world of specialists. No one advisor can be an expert in tax, insurance, trusts, etc. A family office plays the role of general contractor, or financial quarterback, working with each of your specialist advisors to get the best possible co-ordinated advice to achieve your specific goals.

Customized service: Family offices tailor their service to the specific needs of family members. For busy entrepreneurs and professionals, that may mean off-loading time intensive financial activities to allow you to focus on what you do best and love most. For retirees, it may mean bill payments during months of travel in the Caribbean. For young adults or recent divorcees, it may mean help preparing a budget.

Family dynamics: Turning a family business into a family legacy requires more than just financial capital. A family office helps lay the groundwork for multi-generational success, assisting with stewardship training and the creation of human capital. A family office will also facilitate communications and mediate disputes within the family. This can be especially helpful at critical turning points, such as succession planning.

Governance & Legacy: In the daily grind of running our business, few of us take time for governance matters. Yet good governance is a critical factor in ensuring businesses — and families — adapt and thrive over time. A family office may help you establish an advisory board, separate from the business. This provides a framework to resolve conflicts, notably between relatives inside and outside of the business. It can also help tie the family together, for example by working together on a shared philanthropic legacy.

An estimated 2,500 to 3,000 family offices operate in the U.S., with a similar number in Europe. In Canada, the figure is far lower proportionately, reflecting a less robust historical infrastructure for entrepreneurs to cultivate and pass on their family wealth. Encouragingly, however, the Canadian Family Office Forum in Toronto this January attracted more than 100 participants, reflecting growing interest in the modern family office.

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