

# AIBT Nassau Conference Bootcamp Family Offices

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# Family Offices

- ◆ What is a family office?
  - ◆ The term “Family Office” covers all forms of services involved in managing wealth for high net worth individuals and families.
  - ◆ The office is created by a family to manage its investments and financial affairs, including investments entities, trusts, foundations and other wealth holdings vehicles.
  - ◆ A family office is normally structured as a separate, stand alone company to limit its legal liability and protect privacy.
  - ◆ It requires a skilled staff for its administration and may also contract with external firms for services like investment advisory, asset management, legal and risk management.

# Family Offices

- ◆ What is a family office?
  - ◆ A vehicle that provides a wide array of functions and services for the family it represents, inclusive of:
    - ◆ staff management,
    - ◆ travel management,
    - ◆ oversight and supervision of financial planning structures
  - ◆ Sometimes can be Regulated
  - ◆ Cross-border regulatory and tax management of family businesses
  - ◆ Charitable Giving

# Family Office Functions



# Family Office Services

- ◆ A family office should perform services tailored to the specific needs of a family – proactively anticipating what lies ahead so a client doesn't have to shoulder this burden.
- ◆ The family office might assume the day-to-day administration and management of a family's affairs, and often extends beyond traditional wealth management functions to include family governance, full concierge services and specialty asset advisory such as real estate, art and precious stones.
- ◆ As the complexity of a family's circumstances increases, family support services or "lifestyle management" becomes more important, and private banking professionals work with a client to determine the right solution to meet their family's needs.

# Types of Family Offices

## ◆ Single Family Office

- ◆ A single family office manages the affairs of a single family.

## ◆ Multi Family Office

- ◆ A multi family office manages the affairs of a multiple families which are not necessarily connected. This type is more commercial and many single family offices become multi family offices to reduce the high operating costs of a family office.

## ◆ Virtual Family Office

- ◆ Family office services offered virtually – for those who might not have the assets to justify a single family office
- ◆ Outsourced activity

# Types of Family Office Services

- ◆ Investment Management Services
  - ◆ This is normally the main reason to set up a family office.
  - ◆ Services include:
    - ◆ Evaluating the overall financial situation
    - ◆ Determining investment objectives and philosophy of the family
    - ◆ Determining risk profiles and investment horizons
    - ◆ Asset allocation
    - ◆ Supporting banking relationships
    - ◆ Managing liquidity of the family
- ◆ Life Management and budgeting
  - ◆ These “concierge” type services include:
    - ◆ Management of holiday properties, private jets and yachts
    - ◆ Club memberships
    - ◆ Budget services

# Types of Family Office Services

## ◆ Philanthropic Management

- ◆ This includes the establishment and management of a foundation, and advise on donating to charitable causes.
- ◆ Services typically include:
  - ◆ Philanthropic planning
  - ◆ Assistance with establishment and administration of charitable institutions
  - ◆ Guidance in planning a donation strategy

## ◆ Governance

- ◆ The maintenance of records and ensuring there is a strong reporting culture. Key services are:
  - ◆ Consolidating and reporting all family assets
  - ◆ Consolidating performance reporting
  - ◆ Annual performance reporting
  - ◆ Tax preparation and reporting



# Types of Family Office Services

## ◆ Administrative Services

- ◆ This includes back office services to ensure the smooth running of a family office.
- ◆ Services typically include:
  - ◆ Payment of invoices and taxes, tax compliance
  - ◆ Bill payment
  - ◆ Opening bank accounts
  - ◆ Bank statement reconciliation
  - ◆ Compliance and control management

## ◆ Training and Education

- ◆ This deals with the education of the next generation on issues such as wealth management and economic matters.
  - ◆ Ensuring family education commitments
  - ◆ Coordination of generational education with outside investors

# Types of Family Office Services

## 💧 Business Planning

- 💧 The family office can provide advisory services on financing and business promotion. This includes:
  - 💧 Business development
  - 💧 Structured financing
  - 💧 Private equity
  - 💧 Mergers and acquisitions

## 💧 Risk Management

- 💧 Risk analysis, measure and reporting
- 💧 Evaluation of existing policies and titling of assets
- 💧 Protection of assets
- 💧 Physical security of the family
- 💧 Data security and confidentiality
- 💧 Formulation of disaster recovery options and plans

# Family Office – Where?

- ◆ Legal and tax structures have a big impact on the structure and performance of a family office. Choosing a jurisdiction that provides the best environment is key to optimizing the benefits.
- ◆ The Bahamas' regulatory environment and product choice makes it an ideal location for setting up a family office.
- ◆ Tax neutral country such as The Bahamas is ideal for family office structures as it avoids international tax regimes such as Controlled Foreign Corporation regimes.

# Family Office – The Bahamas

- ◆ The Bahamas is the natural location for Family Office planning:
  - ◆ Tax neutral
  - ◆ Experienced and educated workforce
  - ◆ Transparent and well regarded regulatory environment
  - ◆ Financial advisory support services
  - ◆ Location
  - ◆ Communication infrastructure
  - ◆ Product legislation – trusts, companies, funds, etc.
  - ◆ General financial services infrastructure

# Family Office – To Regulate?

- ◆ It is not necessary to license or place a family office in a regulatory infrastructure, however it can be beneficial.
- ◆ A family office can be regulated as:
  - ◆ Private Trust Company – when legacy planning and trust structuring is a fundamental component of the family's estate plan
  - ◆ Financial and Corporate Service Provider – when a regulatory envelope is preferred to demonstrate substance and formality
  - ◆ Discretionary Investment Management – when the family office might be performing investment management services for multiple persons.

# Family Office – Why Now?

- ◆ Fiscal Transparency has caused family wealth management consolidation
  - ◆ Emphasis on substance and physical presence
  - ◆ Only way for guaranteed financial privacy
- ◆ Evolution of the Private Banking world has caused for family governance and investment consolidation
  - ◆ Shift away from bank asset management and to external asset management
  - ◆ Shift to independent service providers
  - ◆ Consolidate in one family management operation