

# Beyond Lifestyle Management: Achieving Excellence in the Multi-Family Office

Though the business of wealth management is a serious one, I often chuckle when I encounter some of the more cliched assumptions as to what a multi-family office is and does. If I didn't know better, I would think my colleagues and I were constantly surrounded by glamour and glitz, pressing clients to sign important papers while dodging champagne corks and the paparazzi's flashbulbs.

But I do know better, and I can tell you that while the glamour may not (always) be front and center, the needs that a multi-family office (MFO) can fill for an ultra-high net worth (UHNW) family are very real and very important. After all, UHNW families need to handle the same "stuff" that everyone else does—raise children and grandchildren, deal with health issues, plan for college, give to charity, and all those other pieces that, when combined, make up a life. The key difference is the scale and complexity that significant wealth can bring to all those pieces.

After working with nearly 100 UHNW families, I believe it's time to take a clear look at both what defines an MFO and how an MFO achieves excellence in delivering a broad array of world class services.

## Defining an MFO

First, let's define an MFO. An MFO is a financial services entity, usually an independent Registered Investment Advisor or trust company, that offers a variety of services to multiple ultra-high net worth individuals and their families.

These services include, at a minimum:

- Capital allocation through investments in both public and private entities;
- Integrated wealth strategy and financial planning;
- Budgeting and cash management;
- Trust, estate, and tax planning;
- Some oversight of "real" assets (i.e., real estate, art, jewelry, etc.);
- Family governance assistance;
- "Lifestyle" services that may include activities like bill pay and concierge services.

In addition, risk management and business succession planning may be offered on a consultative or comprehensive basis.

Generally speaking, the net worth, asset requirement, or need for a client to engage with an MFO usually becomes apparent when a family is dealing with \$30-\$35 million or more in net worth or \$25 million in investable assets. Although usually expected, when the wealth is the result of a windfall, such as the sale of a business,

## The Complexity Factor

The complexity that accompanies significant wealth requires close coordination of numerous advisors, management of multiple properties, cash management, paying bills, and keeping track of asset-related documentation. In addition, estate, trust, and tax planning need ongoing attention as circumstances and family goals evolve, and the tax code is continually tweaked and/or updated with every administration. It can be overwhelming and incredibly time-consuming to juggle and keep track of all the pieces.

concentrated stock holding, or an inheritance, the complexities of managing that level of wealth tends to arrive with far more baggage than expectation. The right MFO will have the right team at the right time to deliver a highly coordinated approach to investing, planning and strategy, leveraging the skills of financial advisors, accountants, attorneys, and insurance professionals, all of whom have the best interests of the family driving their decision-making process.

There are also the inherent and unique complexities that each family brings to their respective table, whether it be differing visions for a family's philanthropic pursuits or the challenges of dealing with aging or infirm elders, substance abuse issues among children, complications from past divorces or a host of other issues. An effective MFO provides services, guidance, and access to the best partners to provide the right kind of help, care, and advice to navigate life's most challenging obstacles.

## Conductor Versus Quarterback

With apologies to my colleagues at Verdense/PRO, while one often hears an effective MFO described as being the “quarterback” of a family’s plan, I prefer to compare our work to that of a conductor. A great quarterback will be able to read each play, weigh all the options, and make the best decision to keep a team moving down the field. But they are making one play a time. A conductor on the other hand must keep a hundred or more musicians playing in tune and in time, integrating all the various sections into a cohesive sound both in the moment and several movements in the future.

A well-functioning MFO understands this dynamic and works hard to listen, communicate, and coordinate multiple parties. This requires the ability to hire and retain the most talented, team-centric people with the right credentials, personality, and cultural fit. Just as a conductor must enjoy and understand composition and classical music as the baseline for their profession, the MFO staff must relish the challenge of delivering both the breadth and depth of MFO services to families with various needs and demands.

## Commitment to the Business

The multi-family office business is not a platform in which one “dabbles”. It requires a firm commitment, strong leadership, and the willingness to build and maintain a cohesive infrastructure, with a highly skilled, team-centric staff, and the processes to support families through generations. Scale also matters. One or two wealthy families does not a multi-family office make. Rather, a true MFO has the footprint, the experience, and the size to live up to its commitment to the business of serving this type of client—now and for decades to come.

## Optimize Your Wealth Strategy

If your family’s financial life feels overwhelming, a multi-family office may be the solution.

Regardless if your family is located near one of our offices in Maryland, Virginia, Florida or Massachusetts, we would be happy to have a conversation to help you decide if multi-family office services are right for you.

**Contact Verdense** today to learn how we can help.