



# Considerations when Setting Up a Family Office

Presented at FinanceMalta 2021

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## Overview of This Presentation

### ❖ WHAT is a Family Office?

- Integrating the Family Office into the Family Business

### ❖ WHY have a Family Office?

- Understand the benefits

### ❖ HOW Do You Form a Family Office?

- Steps to Creating the Family Office

### ❖ TOP FO Trends in a Post Pandemic World

- What do Family Offices need NOW in 2021?

### ❖ WHY I am locating a FO Practice in Malta

- An outsider's assessment





## ❖ WHAT is a Family Office?

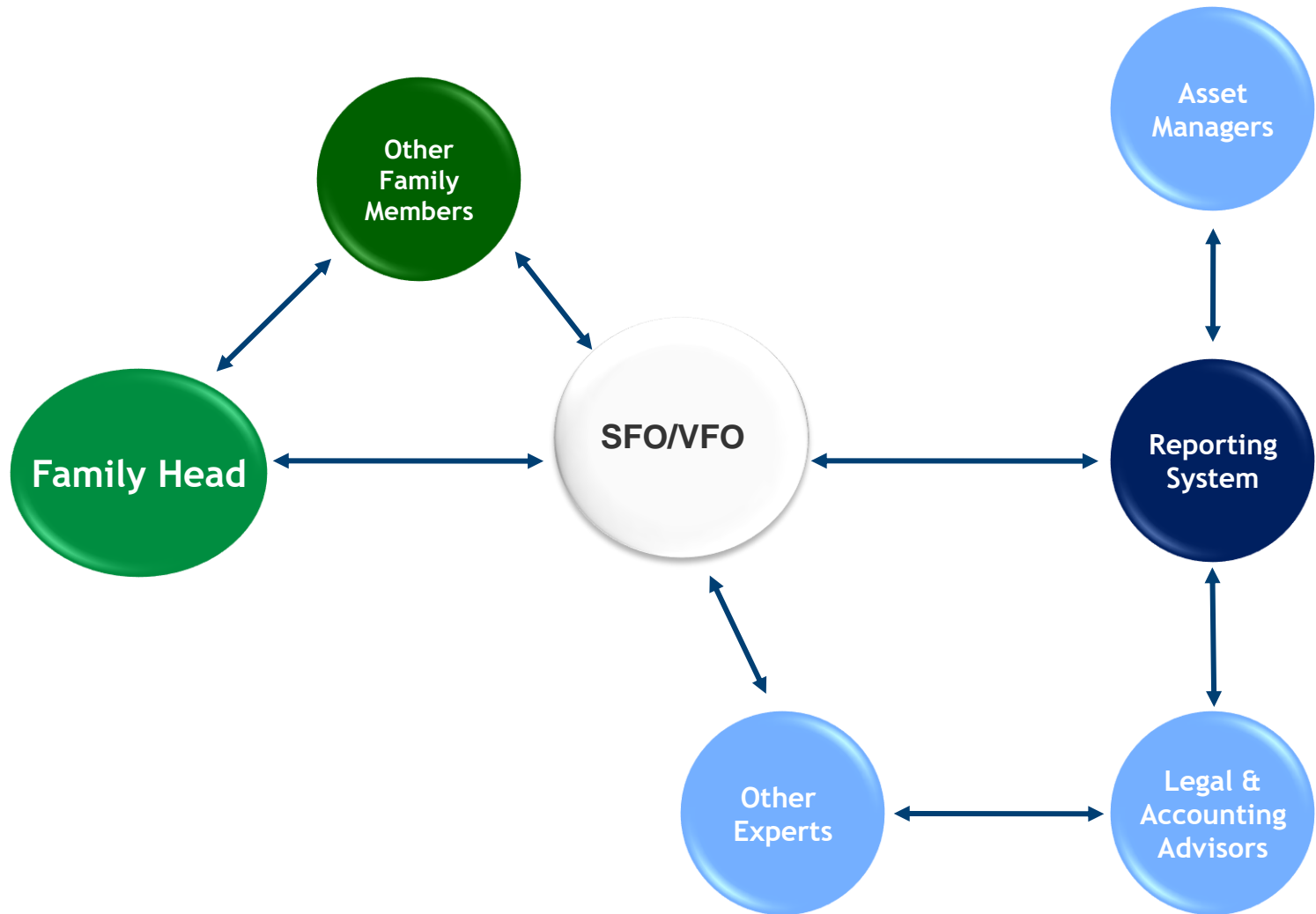
### The Solution to Family Wealth Management

- A Family Office is a private organization that works for a wealthy family to supervise all aspects of family wealth
- Family Office professionals work for the family and have no conflicts of interest in how they provide services to the family
- Family Offices are globally viewed as the BEST way to protect wealth and pass it to future generations
- A Single Family Office (SFO) takes care of one family
- A Virtual Family Office (VFO) is a mostly outsourced SFO
- A Multi-Family Office (MFO) takes care of more than one family and is more like a small Private Bank or RIA.





# The Single or Virtual Family Office





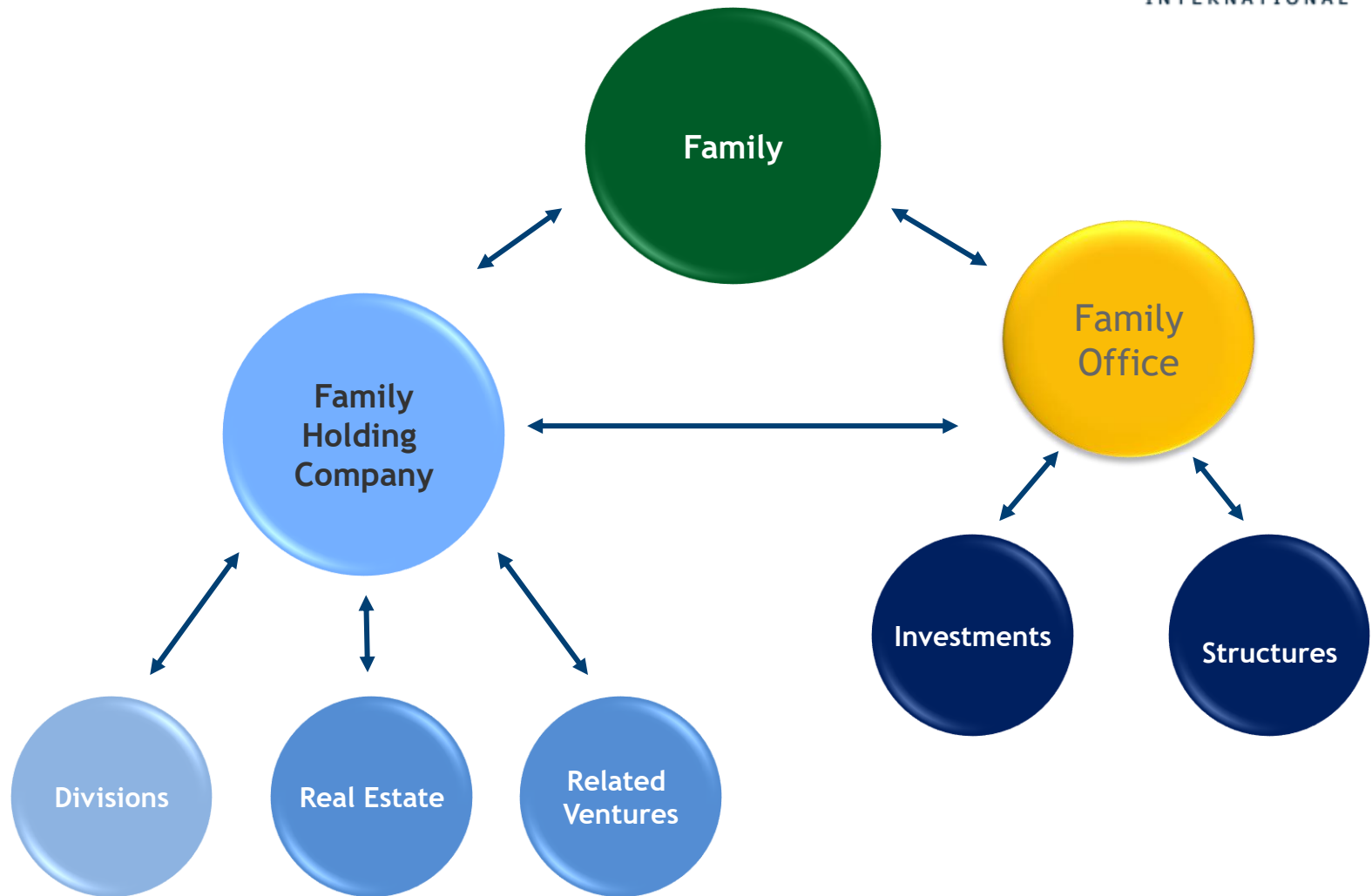
## Services Offered by a Family Office can be Comprehensive

Family Office		
Manage Investments	Tax & Planning	Other Services
Market Investments	Accounting & Tax Supervision	Banking & Insurance Services
Direct Private Deals	Operational Planning	Education of Next Generation
Co-Investments	Estate Planning	Family Communication
Real Estate	Trust Planning	Legal Matters
Non-Financial Assets	Philanthropy	Health Care & Security
Consolidated Reporting	Jurisdiction Management	Family History & Website





# The Family Office and the Family Business





## A Strategic vs. an Administrative Family Office

### An Administrative FO:

- Competently controls the activities of the businesses
- Maximizes global tax incentives
- Acts like a great internal accounting firm

### A Strategic FO:

- Drives from the Family Vision and Values
- Excites and engages the Next Generation
- Saves the Planet



## ❖ WHY Have a Family Office? What are the Benefits?

- **MAXIMIZE Wealth:** Grow all of the Family Capital: Financial Capital, Human Capital and Spiritual Capital
- **HARMONIZE Decisions:** Create a great family governance system to make decisions
- **PRIORITIZE Activities:** Use the Single Family Office to fulfill the Vision of the Family
- **CENTRALIZE Information:** Focus the personal activities of the family by creating a Single Family separate from their operating companies
- **REVITALIZE the Family :** Prepare each generation to succeed and contribute to making the planet better for all future generations







## What can go wrong?

### It is not easy to transition wealth from one generation to the next

- 70% of families lose their wealth in two generations, and 90% by the third generation. (Source: A 20-year study of 2,500 families conducted by The Williams Group, [www.thewilliamsgroup.org](http://www.thewilliamsgroup.org)).

#### The reasons for failure:

- 60% Trust and communication breakdown
- 25% Failure to prepare heirs
- 10% No family mission
- 5% Other causes





# Biggest Challenges for Single Family Offices

Challenge	Weighted Score
Sustainability/Succession/Keeping the family together	53
Markets/Investment Returns/Managing Assets	38
Human Capital	20
Interacting with family members/conflicts/demands	18
Charging for Services/Justifying costs and value added	12
Educating/Preparing Next Generation	8
Cash Management/Liquidity	8

Source: Family Wealth Alliance 6th Annual MFO study of 32 single family offices published in October 2009 [www.fwalliance.com](http://www.fwalliance.com).





# How do you prepare children to inherit and responsibly handle wealth?

Start financial education at a young age for your children like John D. Rockefeller Jr. did! When he was the wealthiest man in the US, he took on the financial education of his son, John D. Rockefeller III, through a unique allowance contract dated May 1920. Please read the Rockefeller Allowance Contract provided and consider it as you develop your own financial rules for your children.

- Teach children that money is for three things: spending, saving and charity. Divide all allowances and use three piggy banks.
- Teach children to write down everything they spend...instill a love of knowing where your money goes and rewarding/praising awareness of spending.
- Have children participate at a young age in investing and charitable activities.
- Enjoy the courses on [www.familyofficebootcamp.com](http://www.familyofficebootcamp.com) designed for kids.



## ❖ HOW do You Create A Strategic Family Office?

The following steps are REQUIRED to create a STRATEGIC family office:

- Uncover and articulate the **Family Values and Family Vision from the Family History**
- Create a **Family Constitution** that Reflects the Family Values and describes how decisions will be made
- Write a **Business Plan** as a blue print for operations
- Implement each **Service** that the family requires
- Develop an Investment Process to manage wealth
- Create a **Family Website** to attract co-investment partners
- **Support the Family Members** and **Grow Wealth** over multiple generations.





# The Family Constitution- The Ruling Document

- The Family Constitution describes who is included in the family, what they stand for and how they will make important decisions

## Who Is The Family

- Who is considered a family member?
- What are the family values?
- What is the family vision and mission?
- What are the important rules family members must abide by?
- How does the family vote/decide on issues?
- How does the family interact with the business?
- When is financial information shared and with whom?
- What happens if you disobey the rules?
- How does the next generation move into leadership?







# The Mogi Family Constitution

## Founded in 1630- now in its 17<sup>th</sup> Generation



### Mogi Family Rules to Live By:

- Make strong morals your foundation, and focus on money last.
- Don't forget your foundation.
- Strive for harmony in your family.
- Avoid luxury: a simple life is a virtuous life.
- Do the job that you were born to do, and only that job.
- Treat a loss and a big gain the same.
- Competition can help you get ahead, but do not compete unfairly or to an extreme.



# Sample Table of Contents for SFO Strategic Plan

- Executive Summary
- Family vision and family mission statement
- Governance of the office, including boards
- Description of office structure
- Staff functions and with organizational charts
- Description of services
- Description of Investment Focus
- Decryption of the Family Office Website
- Real Estate and fixtures
- Technology and back office functions
- Compliance and legal considerations
- Website
- Estimated budget





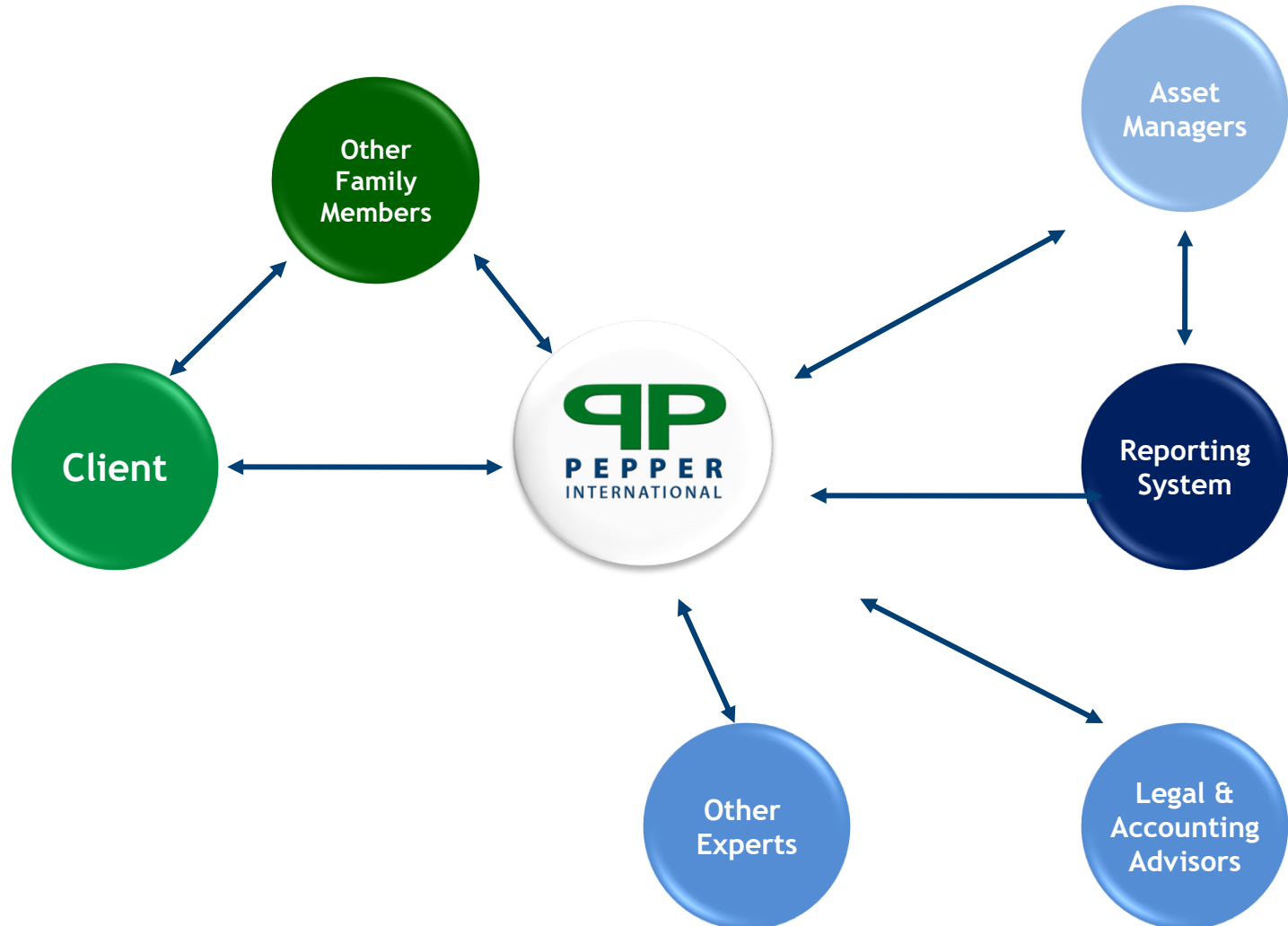
# The Family Office Needs an Investment Process

## FAMILY OFFICE INVESTMENT PROCESS

Investment Process	Investment Performance	Investment Strategy
Markets Analysis	Investment Policy	Deal Analysis
Asset Allocation	Investment Selection Documentation	Co-Investment
Manager selection	Storage of documents	Deal Flow Networks
Manager oversight	Consolidated Reporting	Partnership Opportunities
Risk monitoring	Performance Measurement	Unique Investments
Market Crisis management	Customized Benchmark	Market Intelligence



# The External Chief Investment Officer





# The BEST ASSET ALLOCATION FOR THE FAMILY

## What is the Best Asset Allocation for the Family?

- REMEMBER: C, B, A!

**C = CASH:** Have two to five year's worth of living expenses in cash or cash-like investments

**B = BETA:** All public market investments give you BETA only...no one can beat the markets. Focus on ETFs for public markets

**A = ALPHA:** ALPHA comes from PRIVATE Investments today in Private companies and privately owned real estate.

For each portfolio, create the right balance of these three elements





## Create a Family Office Website

### Share Your Values

The family office website shares what is important to you, tells your history and explains your accomplishments.

### Attract Investments and Partners

The family office website helps you to attract the right partners and investments tailored to your interests and values.

### Transparency

Save time and money by only attracting the types of people you wish to work with. For example: <https://grupoferrerangel.com/>



## ❖ TOP FO Trends in a Post-Pandemic World

### Security: Increased Need for Safety and Flexibility

More families are formalizing their Family Offices. Safety and flexibility are higher priorities now. Performance of the jurisdiction during Covid has been observed.

### Emotional Engagement: Find Worthy Partners for Impact Investing

FOs are seeking partners to increase their impact investments.

### Legacy Building: Activating the Next Gen Family Members

Next Gens are playing a bigger role and many are focused on Social Impact.



## ❖ WHY I am locating a FO Practice in Malta

Setting up a Malta Family Office Association

Creating a nexus for top specialists to assist families in Malta. Articulating the Malta advantage to new families and existing Malta customers.

Malta as the EU Gateway for Impact Investments

Bringing interesting projects to Malta with a focus on Social Impact. Leverage the United Nations Capital Development Fund, [www.undcf.org](http://www.undcf.org), to curate worthy projects.

Letting the FO World know about Malta

Highlighting the Malta advantages to the world.





# The Benefits of Building a Family Office in Malta



## Family

The office will reflect the values and vision of the family and be located in a safe jurisdiction



## Strategy

The office will support the family's vision and the businesses will have great strategic partners



## Legacy

The family wealth and family strength will last for generations, generating global impact



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**THANK YOU!**