

## GENERATION PRIVATE – A SIMPLE GUIDE TO FAMILY OFFICES

### A Simple guide to family offices.

Family offices have been around since the 19th century, with the Rockefeller family being the most notable example. So, what is a family office? While the term may conjure up images of an industry stuck in the past, in reality, family offices are a full-service private wealth advisory firm that serve the needs of ultra-high-net-worth families.

#### 1. What is a family office?

Whether it is a single or a multi-family office, the overall purpose is to grow and transfer wealth over generations. In addition to investment management, they provide a breadth of concierge services which eclipse any single stand-alone service required by ultra-high-net-worth (UHNW) families. In this guide to family offices, we'll break down exactly what these services include, which can range from philanthropy to property management.

Family offices are unique and tend to be incredibly opportunistic when it comes to putting capital to work. Where the average institutional investors require longer and more protracted due diligence cycles, family offices have significantly greater thresholds for longer investment hold times.

What was once a niche industry predominantly based in the United States, has now gone global. Over recent decades, family offices have rapidly evolved, thereby changing the way in which the ultra-wealthy manage and allocate capital. An increase in private wealth has continued to expand the creation of new family offices in areas where they were previously non-existent.

However, each family office is unique in set-up and structure requiring a different combination of services. Furthermore, as new wealth owners enter the market and family offices emerge, diversification of wealth categories is starting to take place. Tech wealth is growing twice as fast as other private wealth, leading to an increasing number of entrepreneurs establishing family offices to manage and professionalise their capital.

#### 2. Why start a family office?

##### Complex financial needs

The financial needs of high-net worth families can be extremely complicated, which is why a family office provides significant value through its integrated service model. Managing a large pool of wealth can also be time-consuming and difficult and therefore, an external partner (such as Generation Private) can ease the process.

##### Gaining an overview

Family offices are designed to help families best leverage assets and preserve wealth through legal support and wealth management services. When families work with multiple professional partners, it is often the

case that important items fall through the cracks. Working with a family office can therefore provide oversight and reduce the silo effect.

### **Dedicated support**

Family offices focus on few clients and rely on good relationships with family members. As a result, they are incentivised to deliver high-quality service and support.

### **Trust-based relationships**

Family offices are built around the idea of long-lasting relationships. This personal touch creates the much-needed trust for wealthy families – where the family office advisors are in some ways seen as extensions of the family. This trust is crucial with advisors gaining deep insight into the business and finance operations and as a result, being able to provide more strategic guidance.

## **3. What services do family offices provide?**

Family offices often provide a comprehensive list of services across financial management, strategic planning, administrative support, and advisory services. Each of these domains are crucial to establishing a well-oiled machine.

### **Financial management**

Investment management, reporting, managing wealth transfers, and lifestyle management are fundamental to good financial management in family offices.

### **Strategic planning**

In order to support strategic planning for wealthy families, family offices must offer business advice, strategic estate planning, succession planning and educational planning.

### **Administrative support**

Whilst financial management may be the primary function of family offices, handling correspondence with other service providers as well as philanthropic management, form a large part of the role.

### **Advisory services**

Additional to the other domains are advisory services where family offices provide tax, legal, compliance, regulatory advice alongside support on risk management. Below is the service offering of Generation Private.



## How can Generation Private assist in establishing the family office

### 1. Investment Management and Reporting

We can manage the investments on your behalf through a direct investment approach or through investment managers. We are not stock pickers but work with many investment managers to construct an appropriately diversified investment portfolio which preserves capital but achieves an acceptable level of return.

We work with you to develop an investment policy statement (IPS) that provides the guiding principles to investing your money. The IPS will document your objectives, risk appetite, target rate of return, benchmarks to measure performance and asset allocations.

Each month we provide an investment snapshot report on performance and each quarter we provide an investment dashboard to review the last quarter, year to date and 12-month performance, all of which are assessed against the IPS target and our index.

We can also undertake due diligence on investment opportunities and make recommendations having regard to the IPS.

### 2. Tax and succession planning

We can provide tax service from monthly tax compliance to year-end tax returns and tax planning. Having previously worked for the ATO and worked with high wealth families at Deloitte, we can manage any ATO audit on your behalf.

We can also assist with succession and estate planning and intergenerational wealth transfers. We have undertaken many family succession planning projects. We also refer you to our book “The Art of Business Succession” located on our website at [www.generationprivate.com.au/publications](http://www.generationprivate.com.au/publications)

### 3. Property related services

We can manage all aspects of the family office property portfolio requirements which includes managing property related matters including rental properties, assist with property development projects, working with project managers and builders and can also attend to all property related activities from maintenance, capital projects, essential services and tenancies.

### 4. Compliance and Administration

We can manage all aspects of the family office compliance requirements including:

- Accounting compliance
- Tax return compliance
- Monthly BAS returns
- Corporate Secretarial Services

### 5. Lifestyle Asset Management

We can manage all aspects of the family office lifestyle asset (i.e., yachts, planes) requirements including:

- Managing existing lifestyle assets for use by the family
- Source lifestyle assets for the family purchase and consumption.
- Source lifestyle assets to lease / rent for family use.
- Work with the lifestyle asset agents for family use of lifestyle assets.

### What we do for families

- Outsourced CIO: After establishing an investment policy for our clients, we will liaise with various investment firms and prepare dashboard reports focused on the family's investment performance. This enables the family to obtain a better understanding of the relative performance of their investments and optimize decision making regarding how best to invest funds.
- Outsourced CFO: We can act as an outsourced CFO whereby we work alongside the family's accountants and advisers to ensure family members achieve the best tax outcomes, all compliance (ASIC and tax lodgments), payments and cash flow requirements are met and review the family's financial structures.
- Independent Chairman: We can act as the Independent Chairman on the Family Board or Investment Committee and Foundation Boards to ensure that correct governance is being maintained and where required provide advice.