

## What Family Offices Should Never Miss!



Many Family Offices place a premium on discretion and refrain from engaging expertise that does not emanate from a “close(d) circle” of advisers. The downside to this approach is that a Family Office exposes itself to the pernicious practice of being exploited, which occurs all too frequently across the wealth management industry. Families who are most comfortable with their “close(d) circle” of advisers are often the most exposed. Few cases are as severe as the Leslie Wexner case or the myriad losses from Madoff. The most frequent cases that we encounter involve excessive fees or efforts to misdirect trust proceeds.

The parties involved with these activities may not be the usual suspects. We have seen service providers play a material role in jeopardizing families’ legacies. Some examples include:

- Health care providers for the elderly harassing elderly family members to change their wills and trusts—we have seen losses of 25% to 90% from these misdirections.
- Trust and estate attorneys charging fees for settling large, yet simple estates as a percentage of assets rather than using a fair hourly rate, and poorly disclosing, if at all, that practice to families when they are facing tragedy from the death of a loved one.
- Brokers charging commissions of up to 2% on equities trades when many firms charge little or no commissions for equities trades.
- Collaboration or collusion among law firms, brokers, and accountants to maintain high fee schedules and discredit competing service providers in the eyes of family members. Conflicts of interest may be difficult to detect but can be devastating financially to families.
- Private bankers charging all-in fees of 3% to 5% per year, when we believe a fair fee would be in the range of 1.5% per year. Since family offices are “sophisticated investors,” they do not have many of the legal protections of a retail investor. Family offices must work harder to uncover and understand “hidden” and poorly disclosed fees, long-term lockups, and other vulnerabilities in their investing process.

It is critical that a Family Office obtain a clear understanding that their fees are reasonable and that they obtain high quality, unconflicted services. Significant conflicts of interest are often overlooked or missed, not only at brokerage firms and private banks, but also among law firms, accounting firms, brokerage firms, and private banks.

Families face this predicament since they lead busy lives and their expertise often lies in running businesses outside the realm of institutional investing. Even when a family member does understand financial markets, the breadth and depth of challenges remain substantial. Too often, navigating institutional investing strategies distills down to over-reliance on a narrow set of trusted relationships, without properly assessing the performance of legal, tax, and accounting advisers that a family may utilize.

## Family Office Services Provided

Manager Analysis can help families tap into skilled expertise that could help them ensure fair treatment, enhance their service levels, and reduce fees. Given our extensive experience assessing fee levels, commitment terms, portfolio construction, and overall quality of investment managers and service providers, we can address those factors that create the greatest vulnerabilities for families, while providing timely and thoughtful counsel to your family.

Performing a comprehensive review of your portfolios typically leads to enhanced communication with all service providers, stronger levels of support, potential material changes in investment managers (as needed) and improved and timely responsiveness to portfolio changes and market conditions.

### Investment Portfolio Services Offered

- Assessment of Key Service Providers (including asset managers, private banks, custodians and multifamily offices)
- Evaluation of Fees Paid (compared to market practices and value added)
- Portfolio Analysis (with reconciliation to your family's investment goals)
- Assessment of Investment Strategies
- Operational Due Diligence
- Reviews of Partnership Agreements
- Assessment of Investment Managers

### Portfolio Management Services

- Analysis of All Investments
- Portfolio Construction Review
- Manager Selection and Monitoring
- Complex Real Estate Strategy Analysis
- Risk Management
- Liquidity Planning
- Tax Analysis for Portfolio Holdings

### Integration Services

- Trust/Estate Documents Review
- Disinterested Trustee Services
- Financial Education of Family Members
- Financial Planning and Budgeting
- Expense Management
- Contract Review
- Staff Review and Career Development
- Service Provider Coordination: Audit/Administration/Tax/Investments

**Want to learn more? Please contact Chris Cutler, Tom Donahoe or Safia Mehta at 917 287 9551.**