

FOX 100 Resource Center

A Roundup of Leading Industry Knowledge

Family Office Exchange (FOX) is pleased to present this year's selection of articles, reports and white papers devoted to the issues of most concern to wealth owners and family office executives globally.

To assist in locating information of particular interest, Resource Center material once again is grouped by subject area:

- Trusts, Tax and Estate Planning Page 2
- Security, Technology, Family Office and Lifestyle Issues Page 4
- Family Matters (Legacy Planning) Page 9
- Investment Page 11
- Family Office Issues Page 17

Soon after the conclusion of the Fall Forum unless noted as "print only" all Resource Center material will be available at: <https://www.familyoffice.com/learning-events/forums/2015-fox-100>

Presented in the Grand Foyer Lobby, JW Marriott

TRUSTS, TAX AND ESTATE PLANNING

INBOUND WEALTH PLANNING FOR THE GLOBAL FAMILY

Northern Trust

Determining exactly whose income, gains and assets is subject to the U.S. Federal tax system is a daunting inquiry that requires a comprehensive approach without shortcuts. And, just when the general rules of international tax principles under the Internal Revenue Code (the Code) and related treasury regulations have been reviewed and applied, an applicable international tax treaty or a new tax law can change everything.

Understanding the U.S. Federal tax system is of particular importance due to the extraordinarily high level of inbound wealth to the United States. It is estimated that private wealth from offshore into the United States exceeded \$500 billion annually in recent years, originating principally from Latin America and Asia-Pacific.

This article unravels the complexities of the ever-evolving nature of international tax, and provides fundamental, international tax principles for non-U.S. residents, non-U.S. citizens and their advisors with activities in the United States.

HOW DO I PRIORITIZE MY PERSONAL WEALTH PLAN DURING THE SALE OF MY BUSINESS

CTC/myCFO

Individuals and families considering a business sale typically face a daunting intersection of planning issues. These may include deal structure decisions, legal and regulatory considerations, income tax minimization, capital-sufficiency analysis, wealth transfer and philanthropic goals. As a deal approaches the closing stage, an owner's attention will be focused on getting the deal done—and rightly so. Yet, it is equally important that business owners not lose sight of the impact a company sale will have upon their personal wealth profile.

To ensure that personal wealth planning doesn't take a backseat to the company transaction, this article provides several action items that should be considered first.

APPLICATION OF THE 2-PERCENT FLOOR TO TRUST AND ESTATE EXPENSES

McGladrey LLP

Though the IRS issued the final regulations for section 67 in May 2014 to require the unbundling of a fiduciary's integrated fee, corporate fiduciaries and tax planners continue to struggle with designing and implementing procedures to ensure that the directive is properly accounted for on returns during the upcoming tax filing season.

While most corporate fiduciaries have moved on to the task of applying the regulations to their trusts and estates, some commentators still contend that the regulations misinterpret the U.S. Supreme Court decision in *Knight v. CIR*, 552 US 181, 128 S. Ct. 782 (2008), and should be challenged.

For high-net-worth individuals, estates and trusts, the stakes are high. Many of these trusts and estates are subject to the alternative minimum tax (AMT).

This article discusses the potential for increasing tax liability since the new rules for calculating income tax now eliminates many deductions and credits.

SHOULD YOU KEEP A TRUST (SILENT) FROM BENEFICIARIES

South Dakota Trust Company, LLC

Wealth transfer to younger generations is one of the biggest concerns for families today. Many families feel that the younger generations aren't ready to handle the wealth they'll receive; in fact, only one-third of wealthy parents have fully disclosed their wealth to their children. The perceived unpreparedness, along with a concern for privacy and wealth preservation or asset protection, are

MYTHS ABOUT TRUSTS AND INVESTMENT MANAGEMENT: THE GLASS IS HALF FULL!

South Dakota Trust Company, LLC

Trusts have gained enormous popularity over the last 20 years. The top 1 percent of the wealthy have 38 percent of their investment assets in trusts, and the next 4 percent have 43 percent of their investment assets in trusts. This powerful trend is largely due to the fact that the modern trust can provide a family not only with powerful tax and asset protection advantages, but also with the flexibility and control of several

key nontax trust functions, including investment management. This article provides some of the key investment management factors contributing to this growth.

SUDDEN WEALTH

Abbot Downing

The white paper, “Sudden Wealth: Managing the Transition,” provides helpful guideposts for handling new wealth, regardless of the circumstances – whether the wealth represents a recent windfall (the immigrant experience) or having control of a large amount of money for the first time (the inheritor’s experience). The paper highlights common examples of steps to take and to avoid, the typical reactions and emotions experienced by the suddenly wealthy, and a recommended timeframe for making decisions that focus on important personal priorities. For anyone experiencing sudden wealth, an exploration of what to expect can minimize potential adverse consequences and foster confident decision making that is aligned with your personal values and goals.

678 TRUSTS: PLANNING STRATEGIES AND PITFALLS

The Blum Firm, P.C.

A 678 Trust is a unique vehicle that (i) eliminates estate tax on trust assets, (ii) protects trust assets from creditors, (iii) allows the client to stay in control of the assets, (iv) allows the client to direct where the assets pass at death, and (v) has multi-generational “dynasty” benefits—protecting heirs from creditors, divorce, and estate tax when the heirs die.

CASE STUDY: ESTATE PLANNING WHEN SELLING A FAMILY-OWNED BUSINESS

The Blum Firm, P.C.

When it comes to planning for the sale of a business, the end goal is simple: maximize sales price and minimize taxes. While maximizing sales price results from carefully preparing the business for sale, minimizing taxes results from creating a structure that increases the amount of the proceeds you actually get to keep.

BUSINESS SUCCESSION PLANNING ROADMAP: A PLANNER’S TEN-STEP GUIDE

The Blum Firm, P.C.

Business Succession Planning Roadmap: A Planner’s Ten-Step Guide
Family-run enterprises make up a significant portion of businesses within the United States. Because it is clear that many of these business-

owners will be looking to plan their exit from the companies they have established, it is important that planners prepare for their role in the succession planning process. We’ve compiled a list of ten steps planners should adopt as their standard approach to attaining the perfect balance between pleasing the family and protecting the business.

TAX BASIS OPTIMIZATION STRATEGIES USING TRUSTS

Warner, Norcross & Judd

The American Taxpayer Relief Act of 2012 reduced the top marginal estate and gift tax rate to 40 percent. In addition, the Act provides for a \$5,000,000 per individual lifetime estate/gift tax exemption, adjusted for inflation, known as the “basic exclusion amount”. The 2015 basic exclusion amount is \$5,430,000. This article explains changes to the current estate and gift tax law and provides insight into various tax strategies.

CHALLENGES FACED BY WEALTHY, MULTI-GENERATIONAL FAMILY REAL ESTATE ENTERPRISES

FTI Consulting

Families who have created wealth over time through real estate development and ownership have even greater opportunities, but very different challenges, when their focus shifts to preserving that wealth. In many instances, using appropriately trained professionals to guide in the process and electing to create a single family office, or retaining the services of a specialized multiple family office organization, will enable a family to maintain its legacy as new generations emerge.

This useful article discusses whether wealth owners should consider opening a family office.

ARE YOU POSITIONED FOR GROWTH?

Plante Moran

In his seminal guide to combat strategy, “The Art of War,” Chinese military general Sun Tzu wrote, “Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.” Great advice, except many companies tend to confuse tactics with strategy. They know strategy is important, but they consider it an exercise — something performed quickly, sometimes even haphazardly, without assembling the baseline information necessary to develop an effective growth strategy. In the

end, they end up with a series of vague goals without a concrete plan of how to achieve them. This article lays out the components needed to develop a sound company strategy for growth.

WANT TO SELL YOUR BUSINESS? THE SKY'S NOT FALLING YET

Plante Moran

Thinking about selling your business?

Conventional wisdom in the investment banking community says you'd better do it soon — that the market will soften sooner rather than later. Corporate Finance experts have a different view — that businesses have 24–30 months to finalize any deals.

While the sky's not falling yet, it's still important to prepare your business for its eventual sale. The good news is that your focus will be on sound business practices that companies should be doing anyway. This article discusses the risk facts involved when selling your business.

SECURITY, TECHNOLOGY, FAMILY OFFICE, AND LIFESTYLE ISSUES

THE DEPARTMENT OF JUSTICE AND SEC PROVIDE GUIDANCE ON HOW TO PREVENT AND RESPOND TO CYBERSECURITY THREATS

Kobre & Kim

In response to an ever-growing number of malicious and costly cyber-attacks on U.S. companies, both the Cybersecurity Unit of the Computer Crime and Intellectual Property Section of the U.S. Department of Justice and the Division of Investment Management of the Securities and Exchange Commission recently published reports providing guidance on how private sector companies—both large and small—can minimize the risk of a cyber-attack as well as the resulting harm should an attack occur.

This report provides a useful overview of steps private entities can take now to mitigate the risk and consequences of cybercrime.

MONEY IS NO OBJECT: UNDERSTANDING THE EVOLVING CRYPTOCURRENCY MARKET

PWC

It has been called one of the “greatest technological breakthroughs since the Internet.”¹ It also has been called “a black hole” into which a consumer's money could just disappear.

The subject at hand is cryptocurrency—a medium of exchange created and stored electronically, and using encryption techniques to control the creation of monetary units and to verify the transfer of funds. Bitcoin, perhaps the most widely known example, has been a media sensation and an investment fad. But so far this new way of storing and spending value has inspired more debate than actual commerce.

This article discusses the cryptocurrency market and what merchants and consumers, tech developers, investors, financial institutions, and regulators can expect from this emerging market in the years to come.

EVOLUTION OF THE MUTUAL FUND TRANSFER AGENT: EMBRACING THE CHALLENGES AND OPPORTUNITIES

PWC

Evolution of the mutual fund transfer agent: Embracing the challenges and opportunities

The mutual fund industry has grown tremendously in both size and complexity during the past 30 years. The variety of mutual fund structures and products has expanded, along with the diversity of investors.

According to the 2015 Investment Company Fact Book published by the Investment Company Institute (ICI), from 1984 to 2014 the number of mutual funds offered increased 537%. This growth led to changes in the way the industry operated and, consequently, in shareholder services and the role of transfer agents.

This article discusses the current growth of “intermediated” accounts and the significant events that led to the evolution of the transfer agent in the mutual fund industry.

[FAMILY BUSINESS CEO SUCCESSION PLANNING](#)

PWC

Succession planning's goal is to provide the least amount of disruption to your business and to give you the widest possible choice of qualified candidates before you make that decision. While the process may consider candidates from outside the family and the company, in many cases it focuses on managers who are already with the company. This publication discusses the board's role in succession planning, which includes:

- Ensuring that succession planning is on the board agenda
- Preparing an emergency succession plan
- Advising the founder/owners when selecting the next CEO
- Helping set the new CEO's compensation package
- Assisting with the leadership transition

[FAMILY ENTERPRISE RISK INDEX](#)

Crystal & Company

This study by Crystal & Co is based on a survey of family enterprises and focused on how families think about certain areas of risk. One finding of the study reveals a significant disconnect between the strategic risk management planning conducted by family enterprise executives and the inclusion of the family itself. Overall, the study showed that most family enterprises are employing common practices and not best practices. The top performers excel at setting priorities, making risk management decisions, and creating processes and plans that span the entire enterprise.

[FIDUCIARY RESPONSIBILITIES FOR TRUSTEES OF TRUST-OWNED LIFE INSURANCE](#)

Crystal & Company

One of the most common wealth transfer and estate planning techniques is to use an irrevocable life insurance trust (ILIT) to own life insurance policies. This structure enables individuals and families to direct the transfer of assets in a tax-efficient manner from one generation to another for the benefit of the trust's beneficiaries.

As with any trust, a trustee is designated to protect the interests of the beneficiaries and to manage the trust's assets for their benefit, while overseeing the administration of the trust itself. For ILIT trustees, these responsibilities may be more challenging than they sound, especially if the trustee does not possess the knowledge and experience to evaluate and manage the complex financial instrument that is a life insurance policy. Read more about the potential pitfalls when using life insurance in an ILIT.

[PROFESSIONAL LIABILITY RISK MANAGEMENT](#)

HUB International Personal Insurance

When your business and reputation are on the line: Know your professional liability risk – For high net worth individuals who invest their time and resources for lifetime causes, losing business and personal assets can be devastating. Read this paper to understand how to protect HNW individuals from frivolous lawsuits that can threaten their life's work and savings.

[UNDER LOCK & KEY – CYBER SECURITY MANAGEMENT](#)

HUB International Personal Insurance

Smart phones, tablets and wireless networks are risky tools for high net worth individuals who are often targets of identity theft and social media attacks. This paper highlights the unique threats to HNW individuals and outlines protective measures against such crimes.

[HOW CAN OUR FAMILY BEST EXECUTE SUCCESSFUL AND PRODUCTIVE FAMILY MEETINGS?](#)

CTC/myCFO

Many wealthy families desire a seamless transition of their wealth and a perpetuation of their values for multiple generations, but many struggle with how to accomplish these goals effectively. Successful families typically take intentional steps to create family meetings that foster communication, education and engagement, in order to promote collaboration and trust among family members.

This article provides a number of key elements to consider when developing a successful family meeting.

THE DEVIL IS IN THE DETAILS: ADAPTING TO THE EMERGING RISKS FACING THE HIGH NET-WORTH CLIENT

Pathstone Family Office

With great wealth, comes great responsibility, and given the complexity of risks faced by the high net worth individual, even greater due diligence is required to protect against financial loss and emotional distress.

While many high net worth individuals assess and protect physical assets, often they overlook protecting against loss from liability exposures that can be devastating financially. Coverage for risks involved in the hiring of domestic staff, along with protecting against the growing cyber security threat are often excluded under traditional personal insurance policies, and the exposure to such losses should be reviewed as a part of a client's overall risk management strategy.

Civil litigation and cyber-crime are multi-billion dollar industries, and each target high net worth individuals due to what can be seen as the potential for a high return versus a relatively low investment.

Loss prevention steps can be taken to reduce the exposure faced by high net-worth individuals, and insurance may be purchased to recoup financially through carriers who offer specialty coverage for losses typically excluded under traditional personal insurance policies. This article explores why a periodic review of liability limits and coverage should be part of high-net individual's asset protection strategy.

CYBER (IN) SECURITY

Abbot Downing

The Internet has brought incomprehensible changes to our world over the last 20 years. Technology is so prevalent in our society that whether or not you personally shop online, use apps, or conduct web-based banking, you could find yourself a victim of a cyberattack. This issue of Abbot Downing Perspectives "Cyber (In)Security" addresses how we reached the point where high profile breaches are somewhat commonplace, best practices for prevention and detection of attacks, and steps to take if you've been hacked.

KIDNAP & RANSOM ISSUES TO CONSIDER

Marsh Private Client Services

Perhaps related to unsettled politics and radical groups in various countries, Kidnappings of foreign nationals worldwide have increased by more than 60% in the past five years. The risk of a kidnap and ransom (K&R) situation is a very real risk for some families, particularly those with high public visibility, who hold a position of power, or who live abroad or frequently travel internationally. It could prove vital for families to examine the issue and have a plan in place. In this piece, Marsh Private Client Services touches on some key considerations to help protect families or individuals in danger.

CYBER RISK AND IDENTITY THEFT: PROTECT YOUR LIFESTYLE

Marsh Private Client Services

With nearly 13 million victims each year, cybercrime is a growing personal concern. Because of the amount of personal information stored and shared on electronic devices and social media platforms, falling victim to these crimes – including identity theft, credit card fraud, and social networking scams – is becoming easier. In this white paper, Marsh Private Client Services shares steps clients can take to protect themselves, preserve their identity and their credit, and avoid being deceived by a fraudulent scheme.

WOMEN IN LEADERSHIP: THE FAMILY BUSINESS ADVANTAGE

Ernst & Young

The first in-depth exploration from our global family business survey, "women in leadership" shows that family businesses believe in the value of women in leadership overall, not only women family members.

WHEN ADDICTION SURFACES IN BENEFICIARIES AND CLIENT OFFSPRING: A NEW APPROACH BASED ON HIGHLY SUCCESSFUL PROGRAMS FOR PHYSICIANS

O'Connor Professional Group

Estate planning and wealth management involve the founder's goals, family and assets. Unresolved substance use disorders (SUDs) will undermine the best plans and intent in all three areas. However, trustees and attorneys frequently overlook clients engaging in addictive behavior because they are unaware of the symptoms of the disease, don't know what to do or don't believe it's their role to become

involved. This article is a practical guide for trustees and professionals on how to identify and respond to clients with SUDs, based on the highly successful recovery programs for physicians and pilots.

AVOIDING A DATA BREACH IN FAMILY OFFICES

Novack and Macey, LLP

Some data security disasters make news because they involve household names -- Target Stores, Sony Online Entertainment and Home Depot, among others. While other data breaches make headlines because they reveal embarrassing information -- e.g., Ashley Madison.

But that does not mean that family run offices, which may be less well-known and/or possess "less interesting" data than hacking victims in the news, should get complacent. If hackers find their way into your network and steal or corrupt data, personal information may be exposed, and confidential business information or trade secrets may be made public. Repairing the damage — and your business's reputation — can be time-consuming and costly. As a result, family run offices need to be proactive in protecting their data and know what to do if a breach occurs.

There is currently not a comprehensive federal data-security law that applies to all industries, but many states have enacted statues requiring all businesses that own or license personal information of the state's residents to adhere to certain standards. This white paper discusses those standards and also provides advice on what you can do now to secure your family office data.

HERE'S HOW TO BECOME A STANDOUT BROKER AMONG WEALTH MANAGERS

Pure Insurance

Knowing what Wealth Managers find crucially important when structuring insurance solutions for their clients can help you differentiate yourself amongst this highly influential group of trusted advisors. The insights in this article can help you strengthen your referral network and increase your pipeline of UHNW business.

TAMING THE RAPIDLY RISING TIDE OF RECORDS AND INFORMATION: THERE'S MORE AT STAKE FOR FAMILY OFFICES THAN YOU MIGHT THINK

Warner, Norcross & Judd

The volume of information in businesses is doubling every two years, creating significant challenges for businesses of all types and sizes, including family offices. Besides the cost of storage, the information in records and data can pose risks that may surface in audits and litigation. One way to successfully tame the rising tide, is to implement a Records and Information Management (RIM) program. This article discusses the benefits of implementing the proper records management system in order to minimize risks and liabilities at the family office.

THINGS TO CONSIDER WHEN CREATING EXECUTIVE PROTECTION SERVICES FOR WEALTHY FAMILIES

Warner, Norcross & Judd

Sidney Reso, president of Exxon Company International, was kidnapped from the driveway of his home and ultimately murdered in 1992. Edward Lampert, one of the nation's wealthiest investors, was kidnapped in the parking garage of his offices in 2003 and was released after promising \$5 million to his kidnapers. These are only a few examples, but events such as these have led to an increased use of executive protection services by wealthy families in order to better protect and safeguard themselves, their loved ones, and their property. This article offers advice into the options that exist for executive protection services and what family offices should look for when hiring an executive protection professional.

INNOVATIONS IN PRIVATE WEALTH TECHNOLOGY & REPORTING

Archway Technology

While advances in technology continue to contribute to operational success in most industries, the private wealth community has fallen significantly behind in effectively deploying advanced technologies and corresponding best practices in the management and support of core business functions.

The same enterprise-wide accounting and finance platforms that other industries employ have not historically satisfied the unique information and reporting requirements of private wealth management firms. This white

paper discusses the current private wealth technology and reporting trends.

CASE STUDY: CWP MANAGEMENT

Externalit

CWP Management, Inc., is a busy family office based in Chicago, Illinois. They look after the financial affairs of 10 households and 31 family members across 3 generations, but an ageing IT infrastructure was weighing down on its president's time and budget. When disaster struck and their data center was compromised, CWP used the opportunity to migrate to a secure, hosted cloud desktop. CWP's case study shows how migrating IT to the cloud was an incredibly effective solution for this family office as they were able to save money while getting the service, support and built-in levels of security and disaster recovery they needed.

CLOUD COMPUTING CHECKLIST FOR FAMILY OFFICES

Externalit

Cloud computing continues to transform the way businesses work. But not all clouds are equal. We've collected the key features of cloud computing for family offices into a straightforward checklist and added explanations of what they are and how they matter to family offices. We've also highlighted what to look out for when a family office is ready to make a decision.

CARING FOR AGING PARENTS

Altair Advisers

Modern medicine has enabled far longer lifespans than ever before. While this is an overall positive development, it also means that many of us will spend years as a caregiver of parents and aging loved ones or as a recipient of that care. Regardless of the strength of a family's relationships or the extent of their resources, the associated legal, emotional, medical and financial issues involved can be overwhelming. One of the hardest aspects is the sense of isolation and loneliness that often accompanies aging and caregiving. The good news is that none of us are alone in this process. The number of organizations, books, websites and professionals assisting across many different aspects of aging continues to grow. This useful resource guide was created to help caregivers and recipients find a starting

point for navigating this increasingly common journey.

FAMILY MATTERS (LEGACY PLANNING)

ADVISORY BOARDS: AN IMPORTANT STEP IN TRANSITIONING THE FAMILY BUSINESS

Ascent Private Capital Management

"I'm wondering if it's time for us to add outside experts to our advisory board," Julie Jacks mused aloud to her cousins. "Experts who would bring fresh ideas and who would have some gravitas around here." Julie and her cousins were gathered at the brown-bag lunch session they held each week in order to connect, share ideas and concerns, and offer updates on their various lines of business. Since last year's leadership transition to their generation (the third), they'd used this casual forum to strategize how to work most effectively together as the next generation family leadership team. They felt they had been able to solve some important problems and had headed off a number of others via their weekly tête-à-têtes.

Now, however, they were facing increasingly erratic behavior and peremptory decisions made by Barry, former CEO and second generation family member. Though Barry had voluntarily assumed a secondary title (and role, ostensibly) in the company, he was still seen by some employees and managers as the point where the proverbial buck still stopped. This, plus his own habit of taking charge, was causing confusion and consternation among employees and managers alike, and it was concerning to this next-gen leadership group.

This article discusses the evolution from inside-only board membership (family members and key managers) to developing an advisory board with non-family and non-management "external" advisors (from outside both the family and its business).

BEYOND "COHESION:" WHY TERMINOLOGY MUST EVOLVE THROUGH THE GENERATIONS

PITCAIRN

Complex multi-generational families evolve over the years, and cohesion may not be the most important goal at every stage of family development." Family Council Chair Andrew

Pitcairn and co-author Joshua Nacht, PhD look at the evolution of family cohesion across generations in an article published in the May/June 2015 issue of Family Business Magazine.

STAYING POWER: HOW DO FAMILY BUSINESSES CREATE LASTING SUCCESS?

Ernst & Young

EY teamed with Kennesaw State University and surveyed the world's largest family businesses with a focus on seven success factors: succession; women in leadership; governance; communication and resolving conflicts; branding; corporate social responsibility, philanthropy and sustainability; and cybersecurity.

WEALTH TRANSFER PLANNING: STRUCTURING TRANSACTIONS TO ENHANCE FINANCIAL RESULTS

Abbot Downing

Wealth transfer planning is a complex process with an ever-changing set of risks, opportunities, and regulations. The white paper, "Wealth Transfer Planning: Structuring Transactions to Enhance Financial Results," helps explain how subtle changes to wealth transfer techniques can dramatically increase the likelihood of success. This in-depth paper starts with the basics of investment theory, explores commonly used risk management and sophisticated planning strategies, and introduces a concept we feel will become more common in the near future.

I AM THE COBBLER

Video Family Biographies

"The cobbler's children have no shoes," refers to the phenomena where people who are successful at doing something spend so much time on their own professions that they neglect to take care of business close to home. In the folktale, the cobbler's children had holes in their shoes because he was so busy repairing the shoes of other people that he neglected his own children, writes Robert Jordan, Jr., CEO of Video Family Biographies.

This first-person account by Jordan discusses the importance of commemorating the history of family members through creating a family video biography that will preserve and protect their own family legacy for generations to come.

RE-ENERGIZE WITH ENTERPRISE

Ascent Private Capital Management/US Bank
Family wealth is notoriously difficult to maintain across generations. Without a powerful strategic vision, the statistics show that family wealth is bound to dissipate. One useful strategy in nurturing a legacy is to foster an entrepreneurial culture to provide opportunity for family members and regularly recharge the wealth for future generations

HELPING YOUR CHILD BECOME FINANCIALLY SELF-SUFFICIENT

Ascent Private Capital Management/US Bank
Parents play an integral role in helping children learn financial self-sufficiency. Providing ample opportunities for children to use money, make choice about how to spend that money and then to live with those choices is important work for parents.

HAVING THE TALK: HOW TO PREPARE THE NEXT GENERATION FOR SIGNIFICANT WEALTH

Hemenway & Barnes

How and when should wealthy parents educate their children about their assets and potential trusts? Having "The Talk" about wealth is a topic that provokes uncertainty and delay. Avoiding the exchange, however, only compounds the difficulties. Anxiety and reluctance about "The Talk" are understandable given the many risks associated with inherited wealth. Without the right guidance and values, this is a valid concern. Wealthy children are raised in an environment that naturally provides them with advantages over competitors, which can cause self-doubt even in the most talented and well-grounded of maturing adults.

Here are a few central guidelines to making "The Talk" an effective and positive experience for both generations:

- Keep the emphasis on values
- Be proactive – and timely
- Don't go it alone

INTRA-FAMILY LOANS: OPTIONS FOR FRIENDLY TERMS ABOUND IN A LOW-RATE ENVIRONMENT

Hemenway & Barnes

The low interest rate environment presents a number of opportunities to advantageously move assets between family members, including the currently popular practice of intra-family lending. It may seem as if lending within the

family can be a casual affair, but those who explore the option should be sure they are taking the right steps to truly create a “win-win” scenario.

- Do it by the book
- Investigate creative loan options
- Make the most of existing trusts

GOING GLOBAL: THREE KEYS TO EXPANDING BUSINESS INTERNATIONALLY

Hemenway & Barnes

It's a small business world – and getting smaller every day, which opens up new pathways to global expansion. Indeed, mid-sized companies are more and more frequently finding that international trade is a critical component for growth. Launching a foreign presence invites a heavy dose of risk. Forethought, planning, and an understanding of the local environment can help improve the odds substantially. Business owners should consider three crucial elements as they look for international opportunities:

- Corporate structure and tax law
- Labor laws
- IP protection

ARTWORK AND YOUR LEGACY: IMPORTANT CHOICES FOR STEWARDSHIP OF YOUR COLLECTION

Hawthorn PNC Family Wealth

You have curated your art collection with passion and care. The collection, whether it includes paintings, sculpture, fine antiques, or other treasured objects, is a source of pride and enjoyment not just for you but also for those who view it. Over the years, your collection has become an important part of your legacy. Although many art collectors may choose to pass on artwork upon their death, other available options may be more aligned with your legacy goals. Ownership of art, antiques, and collectibles presents unique challenges and opportunities when creating an overall financial and estate plan.

WEALTH TRANSFER IN A RISING INTEREST RATE ENVIRONMENT

Hawthorn PNC Family Wealth

The current low but rising interest rate environment has created challenges and opportunities for both investors and advisors when addressing several financial areas, particularly estate planning and the transfer of assets to subsequent generations. As interest

rates have begun to creep up and the possibility of significantly higher interest rates looms, we believe it is important to reexamine the effects of interest rates on wealth transfer. The following is a review of some of the effects of interest rates on estate planning and family wealth transfer in particular, as well as the opportunities offered in both low and high interest rate environments.

THREE IMPORTANT ESTATE PLANNING IDEAS FOR 2015: FOCUS ON WHAT IS MOST IMPORTANT IN ESTATE PLANNING

Hawthorn PNC Family Wealth

Although tax mitigation is almost always significant, it may not be as valued as other family goals. A couple of the ideas in this article include:

- Design Trusts to Empower Your Legacy

Families should regularly revisit their estate plans and related documents, particularly those provisions and documents that can be modified, such as wills and revocable trusts, as well as carefully review design options for new trusts with their advisors.

- Preserve Tax Basis in Concert with Estate Tax Mitigation Strategies

Rather than focusing primarily on reducing the size of one's taxable estate to reduce federal estate tax exposure, the potentially conflicting objective of retaining appreciated assets until death to obtain a stepped-up basis must be considered as well.

WHO'S PLANNING THE FUNERAL?

LHT Consulting

No one is comfortable discussing the day of their funeral, but taking control of that inevitable conversation and organizing a principal's final wishes is simply the right thing to do for their family, their legacy and their enterprise. Making arrangements after the loss or, preferably, preparing an end-of-life plan in advance, involves some of the more challenging personal choices one will ever make. Often handled by the Family Office, comprehensive memorial event planning not only ensures that final wishes are fulfilled and the burden of making tough decisions is alleviated, it also establishes a communications apparatus to aid the organization during a sudden or major event. Will your response to this certain departure be well planned, or will it be an emotional guessing

game? This brochure highlights the importance of the family office to plan ahead to memorialize a loved one in the event of a death in the family.

INVESTMENT

ECONOMIC GROWTH: SLOW SAILING AHEAD?

Deutsche Asset & Wealth Management

This strategic article forecasts what the global economy will look like in the next 12 months. Key market drivers include an expected disruption of official rates and the very first interest-rate hike by the Federal Reserve.

CNY DEVALUATION: MORE THAN THE MARKET EXPECTED

Deutsche Asset & Wealth Management

This article reviews the latest 1.9% devaluation of the Chinese yuan (CNY) reference rate and identifies the three factors that prompted the currency move and the potential long- and short-term implications for Chinese and global asset classes.

PIECE BY PIECE: PUZZLING OUT FISCAL INTEGRATION

Deutsche Asset & Wealth Management

This detailed analysis offers 9 key insights into the latest global economic trends that include:

- Weak U.S. growth is expected to be a temporary phenomenon
- Better consumer confidences signals stronger growth in Japan
- Additional Monetary policy stimulus is driving the Chinese stock markets
- Stronger credit growth is pointing to a Eurozone upswing

USING MID-YEAR TAX PROJECTIONS IN INVESTMENT PLANNING

Kanaly Trust

As mid-year approaches, it is important to do various tax projections to determine if certain investment planning strategies can be implemented or improved. Often, this reveals potential tax liability reductions that would have otherwise been overlooked.

This article spells out useful tax planning tips that should be taken into consideration when it comes to preventing tax liability risks.

INTRODUCING THE IMPACT INVESTING BENCHMARK

Cambridge Associates

While the impact investing industry is still in an early stage of development, it is poised for growth. One of the chief barriers to industry advancement remains a paucity of robust research on financial performance.

This comprehensive analysis covers the financial performance of market rate private equity and venture capital impact investing funds and serves to guide both existing and future impact investors to better identify strategies that are best-suited for their desired social, environmental, and financial criteria.

MAKING WAVES: THE CRESTING CO-INVESTMENT OPPORTUNITY

Cambridge Associates

Co-investing is gaining popularity and theoretically offers investors cost advantages and higher return potential. This report discusses the opportunities and common pitfalls of co-investing, leveraging our aggregated data on co-investments and funds generating co-investment.

UNDERSTANDING CURRENCY RISK: A EUROPEAN FAMILY PERSPECTIVE

Cambridge Associates

Currency risk is a fact of life for European families. Today even the simplest diversified portfolios include foreign currency exposures. Many investors find it tempting to ignore currency risk, believing that it will all “even out in the end.” But this is not an option for most families who need to draw down funds from the portfolio to meet distributions to beneficiaries. Even for families with no current spending needs, it is still prudent to manage the portfolio’s currency exposures in line with its likely long-term liabilities.

FOCUS ON WHAT YOU CAN CONTROL

Northern Trust

Market volatility can serve as a reminder of what investors can and can’t control. What is information, and what is noise? What is predictive of the future, and what is just the past? Long-term investors should focus on what

they can control and stay the course – provided they are on the “best” course.

The best course is the result of a plan that incorporates goals and risk preferences, along with implementation that captures the fullest share of available capital market returns. Read about how these three foundational concepts can help investors understand what they can and cannot control in an uncertain market.

DETECTING TRUE ALPHA IN HIGHLY COMPETITIVE MARKETS

Northern Trust

The efficient markets hypothesis says that financial markets incorporate all available information in real time to price securities competitively, eliminating opportunities to earn excess return. The Nobel Committee split its 2013 prize for Economic Sciences between proponents of both sides of the market efficiency debate. For investment practitioners, the real question is whether there are skilled investment managers who can capture risk-adjusted excess return (alpha) net-of-fees, and how to identify them. To investigate this question rigorously, one must employ methods that can attribute performance to risk, skill or luck.

PUERTO RICO DEBT

Glenmede

There exists this notion that over 70 percent of outstanding municipal securities are held by individual investors through mutual funds or individual holdings. It has been reported that over 50 percent of those mutual funds have some level of exposure to Puerto Rico or its public corporations.

This commentary and outlook tackles the possibility that Puerto Rico’s debt Crisis may have broader market implications than first expected.

GREECE: OUR TAKE ON THE “NO” VOTE

Glenmede

Greek voters sent a clear message by voting “no” to European creditor proposals. Greece’s Prime Minister, Alexis Tsipras, responded by stating, “I am fully aware that the mandate here is not one to break with Europe, but a mandate to strengthen our negotiation position to seek a viable solution”.

Moreover, Greek Finance Minister Varoufakis stepped down, paving the way for further

negotiations. This investment strategy brief provides strategic insight into what is at risk with your investment portfolio while carefully monitoring the Greece debt crisis as it unfolds.

MARKET INSIGHTS – Q2 2015: THE SLOW EXPANSION AND ITS DISTORTION

Glenmede

Market analysts believe that the current economic expansion might be one of the slowest on record. This commentary takes a look at the pros and cons of the global economy and how its sluggish recovery is changing monetary policy within the central banks, creating a low rate of return on investments, and making the value of higher-risk assets on the international market more attractive to investors.

A BREACH HAS OCCURRED... NOW WHAT?

Ballentine Partners, LLC

With cyber theft often in the headlines, it might seem as though it’s not a question of whether your personal information will be compromised, but when. For example, you have likely seen CNN’s estimates that over 100 million Americans have had their personal information stolen and exposed over a one year period. This may leave you wondering, “How safe is my money?” While the question seems straightforward, the answer is complicated because it varies based on the answers to several questions. How did the breach take place? What information was compromised? How quickly was the issue identified and resolved? Here are just some of the best practices on what you can do today to mitigate your risk.

ARE THE EMERGING MARKETS IN TROUBLE AGAIN?

Ballentine Partners, LLC

The Russian Ruble has collapsed. Its economy appears to be headed into a recession. Oil prices have plunged. The US Dollar (USD) has surged. Emerging markets debt has grown significantly since the “Great Recession.” Are we on the verge of a repeat of 1997 and 1998 when we saw a surge of defaults by the countries collectively called the “Emerging Markets?”

This commentary discusses whether the emerging markets should remain an important long-term investment despite these difficulties.

[INVESTORS PROFIT FROM A SHRINKING BANKING SYSTEM](#)

Ballentine Partners, LLC

The 2008 US Credit Crisis that resulted in the European Banking and Sovereign Crisis exposed major weaknesses in banking regulation and oversight. The reaction from policymakers and market participants set about sweeping reforms that will permanently alter the system as we know it. This paper discusses the massive regulatory change that will create substantial investment opportunities for investors in the years to come.

[INVESTMENT UPDATE: SEPARATING SIGNAL FROM NOISE](#)

BNY Mellon

It's a bit early for Halloween, but the equity markets have been scary over the past few weeks and months. Fear is problematic, particularly when it comes to investing in equities.

There are currently two macro-driven events affecting the equity markets: the impact of the Greek debt crisis on the Eurozone's recovery and implications of China's stock market rout for global growth. This article separates fact from fiction and alleviates some of the fears investors have in the current state of the equity market.

[A FORK IN THE ROAD](#)

BNY Mellon

Jeff Mortimer's latest Investment Update discusses what branch of the road the market may take, how the market correction served to reset investors' views on risk and return and how we're managing the opportunities and/or risks.

[SHOULD I DIVERSIFY THE NUMBER OF ADVISORS I WORK WITH TO MINIMIZE RISK AND MAXIMIZE MY PERFORMANCE POTENTIAL?](#)

CTC/myCFO

Challenging conventional thinking: Investors are typically taught that diversification of portfolio assets is the prudent approach to preserving and growing wealth. Yet the majority of the families we serve appreciate that this tenet doesn't necessarily apply at the advisory level. In other words, diversifying across multiple advisors without integrating their strategies may result in unintended consequences. This article explains those consequences and how it can hinder your investment strategy.

[LESSONS LEARNED – AVOIDING COSTLY MISTAKES](#)

Wilmington Trust

Conventional advice may be harmful if you've accumulated significant wealth. Avoiding critical mistakes in asset allocation and family communication, as well as working with a trusted advisor in a collaborative environment are key best practices for ultra-high net worth individuals to pursue. This article provides some of the most common errors high-net-worth investors make when they apply conventional wisdom to their unconventional wealth.

[THE REAL ECONOMY](#)

McGladrey LLP

The positive supply shock to the economy created by the increase in U.S. oil production has policymakers reconsidering this country's four-decade-old oil ban on exports. From a pure economics standpoint, exporting domestically-produced oil would benefit both producers and consumers and increase overall efficiencies in the domestic energy market.

This article discusses how middle market firms with links to oil extraction, energy, transportation and construction could disproportionately benefit if the decades-old ban on oil is lifted.

[SHOULD I HEDGE THE CURRENCY EXPOSURE WHEN INVESTING IN GLOBAL FIXED INCOME?](#)

McGladrey LLP

Investors have several decisions to make when investing outside of the United States. Some of those questions include which countries they want to be exposed to and whether they want to be exposed to equity or debt instruments within those countries. This white paper provides insight into the currency decision as it relates to investing in global fixed income.

[IMPACT INVESTING: A PRIMER FOR FAMILY OFFICES](#)

World Economic Forum

Impact investing has become a popular topic of discussion, not only with the mainstream media but also with mainstream investors. Yet while impact investing has entered the mainstream mindset, many investors with the enthusiasm and means to engage meaningfully in impact investing lack the informational resources to do so. For most investors today, impact investing still needs to be translated from a compelling

concept into a sound strategy. This situation is especially true for family offices.

Family offices can and likely will play a unique and important role in bringing scale to the impact investing sector in the coming years. The goal of this report is to help family offices ask the right questions as they contemplate their path into impact investing.

THE ANATOMY OF GIVING: DRIVES BEHIND PHILANTHROPIC GIVING

SEI

The protracted wrangling over deficit reduction and tax codes in Washington in recent years has raised concerns about the negative impact on charitable giving. Would the elimination of tax deductions act as a disincentive for the wealthy to give, possibly crippling the nonprofit sector?

Such fears appear unfounded, according to recent research from SEI. Taxes are not the main driver behind philanthropic giving, at least among the wealthy. Multimillionaires share their wealth because it's part of who they are. It defines them as individuals and gives purpose to their wealth. In fact, most wealthy individuals would give even more if they could develop a strategic approach to their philanthropy and see clear evidence their gifts are having the appropriate impact. This research paper provides keen insights into how and why wealthy individuals share their wealth.

THOUGHTS (BUT NO PREDICTIONS) ABOUT THE CURRENT ENVIRONMENT

Cook & Bynum Capital Management, LLC

At a Daily Journal annual meeting in Los Angeles earlier this year, Charlie Munger – the 91-year-old Vice Chairman of Berkshire Hathaway – shared his opinion on the investment landscape when asked about negative interest rates in Europe and persistently low rates in the United States:

"This has basically never happened before in my whole life. I can remember 1½ percent rates. It certainly surprised all the economists. It surprised the people who created the life insurance industry in Japan, who basically all went broke because they guaranteed to pay a 3% interest rate. I think everybody's been surprised by it, including all the people who are in the economics profession who kind of pretend they knew it all along. But I think practically everybody was flabbergasted. I was

flabbergasted when they went low; when they went negative in Europe – I'm really flabbergasted. How can I be an expert in something I never even thought about that seems so unlikely? It's new territory..."

This commentary analyzes the impact low and negative interest rates have had on the global investment landscape and when and if there will be a market resolution.

CHASING BASIS POINTS

Nease, Lagana, Eden & Culley Inc.

In the wealth management world, basis points mean everything. Hedge funds may charge 100 to 200 basis points plus a performance fee. Fund of funds typically charge 50 to 100 basis points plus a performance fee. The model for wealth management firms could be 50 basis points for managing a \$10 million portfolio.

Based on our observations, we know wealthy individuals and families pay close attention to basis points. We have all seen administrative platforms trying to find greater efficiencies for their business model so they can lower their basis point charges. It is not uncommon for an asset manager to be fired over 5 to 10 basis points – either via performance or administrative costs. The bottom line is this: basis points matter and life insurance is no exception.

This article discusses the opportunity to have meaningful basis point reductions in a life insurance policy and the impact lower basis point charges can have on this asset class and how to take advantage of the possibilities it proposes.

IT'S WALL STREET VS. CHINA – HAVE YOU THOUGHT ABOUT HOW YOUR PORTFOLIO IS POSITIONED?

Dillon Gage

Wealthy American investors should welcome a rational conversation on the real benefit of gold as foreigners understand, particularly in China, Asia, the Mideast, Russia and most of the developing world. Gold is beautifully uncorrelated to the dollar. This is tough to argue against as not even Wall Street's biggest bull would suggest the dollar will go on in its current supreme state forever – after all, nearly 100 countries are now trading outside of the dollar, a tell-tale sign when a sole reserve currency is in decay as we have seen on numerous occasions in global finance already.

And if the extraordinary benefit of gold as dollar diversification were not enough for Americans, an added benefit of gold is that gold is also attractively uncorrelated to stocks and bonds in the modern era, noteworthy in itself with those widely owned asset classes at historic highs. This article discusses asset and portfolio allocation and why gold is still a viable asset class in our current economic environment.

THE FOLLY OF JEREMY SIEGEL & MODERN AMERICAN PORTFOLIOS

Dillon Gage

As the autumn winds begin to gust in 2015, Jeremy Siegel's disciples seem ubiquitous across the world of institutional investing. Allocations to equities are massive with the mentality being "of course we all know a correction is coming but I would rather suffer through a correction than miss the next leg up." Eager to buy into Siegel's mantra that endorse higher fee assets, Financial Advisors are aggressively talking down any semblance of real portfolio diversification, merely shuffling allocations between correlated paper assets. Advisors invariably reference the Siegel mantra either by name or in practice implying: long term investors have no place to go but "Stocks for the Long Run".

In this article, Dillon Gage debunks several faulty assumptions that misrepresent the equity outlooks, understate the latent growing risk in American portfolios and more.

THE CHANGING BENEFITS OF ADDING HEDGE FUNDS TO TRADITIONAL ASSET ALLOCATIONS

Drexel Morgan

There are two reasons for including hedge funds in a traditional asset portfolio. First, their betas with respect to the S&P 500 are often substantially less than unity, which makes them attractive diversifiers. Second, they may provide an additional source of return and risk after adjusting for their exposure to the U.S. equity market, which has been called a structural, or allocation, alpha.

This analysis takes a look at the diversification benefit of investing in various hedge fund strategies by measuring structural alpha and downside beta. While an overall allocation to hedge funds has had a positive impact on a 60/40 portfolio, certain strategies have proved

more beneficial than others. The article examines those strategies.

FEDERALISM, REGULATORY ASSETS UNDER MANAGEMENT ("RAUM"), AND VOLUNTARY REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER – PART ONE

Perkins Coie

As a matter of Federalism, Congress cannot require the several states to adopt laws regulating investment advisers, but it can prohibit "small" investment advisers from registering with the SEC unless they have a sufficient amount of RAUM. For the last two decades, Congress has been slowly but continuously removing "small" investment advisers from the SEC's jurisdiction.

Section 203A was added to the Investment Advisers Act of 1940 by the National Securities Markets Improvement Act of 1996 ("NSMIA"), and it allocated to states the responsibility for registration and oversight of investment advisers with less than \$25 million of assets under management. As a result, the SEC has long been alert to situations where investment advisers sought to register with the SEC even though they are not eligible to register. Some types of investment advisers can face serious challenges in attempting to achieve eligibility for registration with the SEC.

This white paper discusses the implications of RAUM and voluntary registration with the SEC and what that means for investment advisors.

GRESHAM PARTNERS WEIGHS IN ON THE FIDUCIARY STANDARD DEBATE

Gresham Partners, LLC

This white paper addresses one of today's most discussed and divisive topics involving investors, investment advisers and brokers: What legal standard of responsibility and conduct should apply to firms and individuals who provide advisory services to investors?

This question is receiving a lot of attention from the SEC, the Department of Labor, the President and organizations that would be affected by changes to the existing standards of conduct applicable to investment advisers and brokers. It also was addressed in a recent Supreme Court decision.

Topics discussed in this white paper include:

- Three actions we believe the SEC should undertake now;
- Our reasons for making these recommendations; and,
- The regulatory landscape over the last 80 years, which provides further insight into the fiduciary issues being debated today and our recommendations.

ENGAGING THE NEXT GENERATION

Federal Street Advisors, Inc.

Fostering strong advisory relationships with younger investors (often our clients' children) is a particular focus at Federal Street Advisors. In this article, we are pleased to share our approach to helping the next generation address their unique financial needs and become experienced investors.

As baby boomers enter retirement, young adults have emerged from college, started their own careers, and taken control over significant sums of assets. Whether the wealth has come from prior generations or through self-creation, we advisors are challenged to adjust our advisory models to serve this burgeoning demographic.

IMPACT INVESTING: FINDING THE CLEAR PATH

Federal Street Advisors, Inc.

According to a Norwegian linguist, the Sami people living in northern Russia and Scandinavia have 180 words for snow and ice. It seems that there are nearly as many terms for investment strategies designed specifically for societal impact. A few of the terms being used today include: "socially responsible investing," "ESG investing," and "mission-related investing," etc. Unlike the Sami's 180 terms, each of which has a very specific meaning, there are no widely accepted definitions for impact investing and no dictionary to guide us. This useful white paper dispels some of the investment terminology "noise" and distinguishes the various impact investing strategies from one another.

OIL – WHAT'S HAPPENED AND WHAT'S NEXT?

Federal Street Advisors, Inc.

In a year of notable financial developments, perhaps the most far-reaching and visible of this group is the sharp decline in oil prices in the second half of 2014. Crude has dropped more than 50% since June and is now trading below \$50 per barrel. This precipitous decline stands in contrast to a prior four years of relative price stability when oil traded in a fairly narrow range

between \$93 and \$118 per barrel. What are the causes of the rapid change in sentiment around oil? How have capital markets reacted? What will be the impact of lower priced energy for economies both here and abroad? And, how are our recommended equity and bond managers responding to the present challenges and potential opportunities presented by lower oil prices? These and related questions are addressed below.

IMPACT REPORT

North Sky Capital

We face tremendous challenges today. The forces of globalization and modern consumerism are straining our planet's resources. As production efficiencies increase through technology and human experience, prices decline thus enabling consumption of more goods by more people worldwide. In developing countries, as people migrate from farms to cities, their demand for food, water, housing, transportation and electricity increases dramatically.

As the global population grows and as we consume more of everything worldwide, we produce more waste and pollution. Examples of man's negative impact on the Earth abound: the nuclear disaster at Fukushima, the life-threatening smog routinely blanketing Beijing, the oil spill in the Gulf of Mexico. We must find and implement cost-effective, easy-to-adopt, free-market solutions to these problems. This report measures favorable investment returns for companies who have invested in renewable energy infrastructure and the positive impact these investments have had on our environment.

IMPACT INVESTING BECOMES MAINSTREAM

North Sky Capital

Impact investing has taken many forms over the years. In its earliest form, religious pension plans used negative screening to avoid sin stocks. Later, environmental and political activists would use shareholder proposals to demand that companies reduce pollution or otherwise improve their operations. Today, Wall Street and investors of all types are embracing impact investing.

This report takes a look at the total assets under management in the U.S. and what it means to

private equity investors for the first quarter of 2015.

RESPONSIBLE, SUSTAINABLE AND IMPACT INVESTING: DOING WELL BY DOING GOOD

Atlantic Trust Private Wealth Management

An approach to investing called RSI—“responsible, sustainable and impact investing”—seeks to create both financial return as well as positive social or environmental impacts that are actively measured. This white paper explains how families can connect philanthropic vision with investing strategy through RSI.

FINANCIAL MARKETS MONITOR

Atlantic Trust Private Wealth Management

Chief Investment Officer David Donabedian recaps the first half of 2015 and provides an outlook for economic activity and financial markets in the third quarter of the year.

BROADER OPTIONS, FEWER CONSTRAINTS: A FRESH LOOK AT HEDGE FUNDS

Atlantic Trust Private Wealth Management

While once considered “mysterious,” characterized by investor misconceptions and thoroughly debated after the global financial crisis, hedge funds at their core remain a fairly simple structure with a flexible investment mandate. This white paper debunks myths about hedge funds and explains how they generate profits.

HEDGE FUNDS IN THE CURRENT ENVIRONMENT

CAIS Group

Hedge Funds in the Current Environment: Mercer believes that now is a good time to consider (or reconsider) hedge fund investing. This article explores the case for hedge funds with a focus on the current environment. Mercer also offers some thoughts on choosing the best hedge funds and how to build robust portfolios.

RESEARCH PERSPECTIVES

CAIS GROUP

Mercer’s Research Perspectives covers a wide variety of investment topics. This edition includes a discussion on liquid alternative investments, actively managed global small-cap equities, features our new study on climate change, introduces the Chinese bond market and closes with an interview with Stefan Hepp who joined Mercer through the acquisition of

SCM, a private markets research firm headquartered in Zurich, Switzerland.

THE FAMILY OFFICE PLAYBOOK: CORE BELIEFS AND KEY ASSET ALLOCATION RECOMMENDATIONS SUMMARY

The Wellington Management Company

In this paper, Cara Lafond explores family office characteristics and makes recommendations for asset allocation strategies that ensure growth of assets and preservation of capital and purchasing power, two goals that have been identified as important to most family offices. She emphasizes the importance of downtown risk mitigation and argues that seeking consistent returns and avoiding losses is more important than pursuing outsized gains.

The author recommends that as taxable investors with a lengthy time horizon, family offices should consider strategies that focus on taking long term positions in companies that allocate capital wisely as these often have favorable tax treatment and fit within the long term framework. Finally, Ms. Lafond argues that integrating alternatives into the overall asset allocation structure and evaluating them against traditional return drivers and risk exposures can provide clarity about the roles they play in the portfolio, and result in better asset allocation choices.

FAMILY OFFICE ISSUES

EXIT WITH STYLE: PRIVATE BUSINESS OWNERS PLAN FOR ‘LIVING TRANSITION’

Kanaly Trust

Whether public or private, successful businesses share some of the same concerns. Attracting and retaining talent, balancing growth and risk with profitability and adapting to economic changes are all essential. But the owners of private businesses face unique challenges, particularly when they decide to make changes in the ownership or management of the business.

Owners of family businesses often intend to pass on their companies to the next generation. Whatever the case, the issues surrounding these “living transitions” are often highly complex. The best solutions are holistic and focus on the long-term needs of the business owner.

This article describes strategies for integrating business, personal and financial issues into a comprehensive and executable business transition plan.

TRANSFERRING YOUR WISDOM AND WEALTH

Kanaly Trust

Successfully transferring wealth to your heirs is a challenging but priceless undertaking. It is the result of careful, thoughtful planning and should not be taken lightly. The following article discusses some of the more important things to consider while making these valuable decisions.

REDISCOVERING ETHICAL WILLS

Wilmington Trust

Transferring more than material wealth has become increasingly important in today's world. Ethical wills are a key tools that enable you to transmit your values to the next generation with peace of mind. These kinds of wills may include your personal beliefs and philosophy, and even important family history.

TO SELL OR NOT TO SELL: CONSIDERATIONS OF FAMILY BUSINESS

GenSpring Family Offices

The decision to sell or continue ownership of a family business is complex. Business owning families who recognize early the importance of both the financial and non-financial considerations of a potential sale are more likely to make good transition decisions.

EMPLOYING DOMESTIC STAFF FOR YOUR HOME

Marsh Private Client Services

Clients often hire domestic staff for help managing a large family and household. But for the affluent homeowner, there are significant risks associated with retaining employees such as babysitters, elder-caregivers, and housekeepers, to name just a few. When hiring domestic workers, it's important to consider and address the risks involved, which are discussed in this article from Marsh Private Client Services.

DON'T PUT YOUR CLIENT'S SHINY NEW CORPORATE JET INTO A SOLE-ASSET LLC (UNLESS YOU REALLY WANT TO CREATE AN AIRLINE)

Shackelford, Melton, McKinley & Norton

One area of concern arises from large or multi-engine jet aircraft owners and operators — or their counsel — who focus solely on the

potential civil liability risks. These parties often seek to minimize potential civil liability by creating a sole-asset company to own and operate the aircraft, which is in turn owned by the individual or the operating company that is the “real” aircraft operator. The consequence is that such a structure may well place the real operator in the worst liability position and it's illegal under commercial aircraft aviation regulations.

This article explains the general compensation rules that apply to aviation in the United States and how and why these rules lead to potential regulatory and related civil risk issues, particularly with sole-asset companies.

THE (STATE) TAX MAN COMETH: SO BE SURE TO PLAN FOR STATE TAXES WHEN BUYING YOUR AIRPLANE

Shackelford, Melton, McKinley & Norton

While it's tempting to focus only on federal tax issues when buying a personal or business-use aircraft, state taxes need to be considered as well, because many states impose various types of sales, use and property taxes that can be significant. And many states are becoming much more aggressive in tracking down these aircraft in order to assert those taxes against the owners. This article focuses on the importance of taking a closer look at the state tax ramifications before purchasing an airplane.

FLIGHT OPERATIONS IN RVSM AIRSPACE FAA, AIRCRAFT OPERATOR TEAM UP FOR FUEL EFFICIENCY

Shackelford, Melton, McKinley & Norton

One issue aircraft operators face, which is arcane on the surface but has enormous safety and cost ramifications, is the authorization required from the Federal Aviation Administration (FAA) to fly in what is known as Reduced Vertical Separation Minimum (RVSM) airspace — the airspace between 28,000 feet and 41,000 feet. This authorization is important because these are typically the altitudes where jet aircraft are the most fuel efficient. In recent years, the FAA has recognized, however, that improved technology has made it feasible to safely condense vertical separation to 1,000 feet at cruising altitudes above 28,000 feet. This article serves to answer what aircraft operators can expect when they try to get the proper authorization from the FAA to cruise at this altitude.