

FOX Guide to the Professional Family Office



How to Use the FOX Guide to the Professional Family Office

This Guide documents the challenges faced by families who want to manage their wealth collectively for the long-term and opens the door to the inner workings of today's family office. Using concrete examples and FOX Family Office Benchmarking™ data, the Guide is an invaluable tool for families seeking to build a best practice family office or evaluate their current office operations. We encourage readers to share this Guide with:

- Family Office Board Members – every board member should understand his/her responsibilities in the context of the work of the family office and the overarching goals of sustaining the family's wealth and legacy.
- Family Office Employees – every office employee can benefit from seeing his/her role relative to the office's broader mission and to other family offices around the world.
- Family Office Clients – all too often, what happens in the family office is a mystery to its end users. This document will help every client better understand and appreciate what is involved in taking care of everything from tax returns to training the next generation.

Table of Contents (of the full study)

Section I: Family Office Roles and Responsibilities

- **The goals of the family define the focus of the office.** We provide an example of the link between the owner's vision and the role of the family office. **Page 9**
- The family office is often the chief **risk manager** for the family and is uniquely positioned to work with the family to systematically address the issues that keep family members awake at night. Consider the FOX Risk Roadmap as a discussion tool to help your family identify common risks and talk about ways to prioritize and mitigate them. **Page 11**
- No other service provider has access to all of the pieces of a family's puzzle the way a dedicated family office does. In this section you will learn more about the role of the family office as **financial integrator**. **Page 12**
- The family office is ultimately the **investment strategist** for the family and is the only resource capable of helping the advisor team translate the clients' goals into an actionable investment plan. **Page 14**
- As **financial reporter** the family office is charged with the task of consolidating and distilling financial data from multiple sources to provide clients with the data they need to make decision about their future. **Page 14**
- Preparing the next generation for leadership is a critical role of the family office. The family office serves as **educator and mentor for family members**. Read about ways to involve the next generation in the family enterprise. **Page 15**
- Families are constantly evolving. As **transition coordinator**, the role of the family office is to provide stability amidst this change and help the family navigate life's inevitable transitions. **Page 16**
- What are the **primary responsibilities of the family office?** Most offices provide support for family governance, multi-generational financial strategies and individual wealth planning. **Page 16**

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Section II: A Look Inside Today's Family Office

- Successful multi-generational families make time to discuss their collective vision for the wealth and their future and rely on structures and processes to ensure the work of their family enterprise is guided by their collective vision. In this section on **vision and governance**, we outline common decision-making models, share sample mission statements, and document changes in governance structures over time. **Page 20**
- The **ownership and operating structure** of the office are, like everything else, dictated by the goals of the family. The key is to ensure that the ownership and operating structure reflect the long-term vision for the family's future together. See a typical family office ownership structure and learn about the seven issues to consider when evaluating these structures. **Page 24**
- **What services does the typical family office provide?** Are these services coordinated internally or outsourced? How does the office staff spend its time? **Page 28**
- **Investment planning and management** are critical functions in every family office. This section outlines: the key components of the investment process; who makes investment decisions; the role and prevalence of investment consultants and investment committees; and the 2013 target asset allocation for FOX Benchmarking participants. **Page 30**
- Selecting the right team of **trusted advisors** to support your family requires careful due diligence. Learn about who is on the typical family office team, the most important characteristics of these trusted advisors, and the due diligence process used to find qualified candidates. **Page 35**
- The talent and integrity of your **family office staff** has the greatest impact on your office's success. This section profiles the typical office staff and outlines best practice family office compensation. **Page 38**
- What does it cost to manage family wealth? This section outlines typical **family office costs** and looks at comparable fees charged by multi-family offices. Common cost allocation practices – who pays? – are shared here, as well. **Page 41**
- Wealth owners rely on the family office for timely, accurate and meaningful financial information to help them make wise decisions. Learn about **information management** in the family office and see an example of a best practice family office systems architecture. **Page 44**

Section III: Measures of Success and Lessons Learned

- In this section we articulate the importance of an annual conversation about the value of the family office. We outline four critical areas that should be evaluated in a family office report card and share lessons learned from FOX members. **Page 47**

Section IV: Additional Resources

- Readers who want to send family members to trusted education programs should consider the **University Programs for Families of Wealth**. These programs have been recommended by FOX members. **Page 52**
- The **FOX Recommended Reading List** is a book list curated by FOX that is organized by topic, ranging from family wealth to parenting and philanthropy. **Page 54**