MUTUAL TRUST AND THE UNIVERSITY OF ADELAIDE
BUSINESS SCHOOL PUBLICATION

Why the Modern Family Office Matters

MUTUAL TRUST | THE UNIVERSITY of ADELAIDE

Mutual Trust's Purpose

Our Purpose is to help families achieve what matters most.
We pride ourselves on:

- Caring for our families, our people and communities, not just their finances
- Delivering what they require under one roof
- Providing pre-eminent independent advice
- Enabling our families to have a positive impact on society.

We do this with people who are excellent, heartfelt, inspiring and principled.

In doing so, we will be *the* exceptional Multi-Family Office.

Mutual Trust acknowledges and honours the traditional custodians of the lands upon which we work. In Melbourne, we work on the lands of the Wurundjeri People of the Kulin Nation. In Sydney, we work on the lands of the Gadigal people of the Eora Nation. In Adelaide, we work on the lands of the Kaurna people of the Adelaide Plains. In Perth, we work on the lands of the Whadjuk people of the Nyoongar nation. We pay respect to Elders past, present and emerging.

Mutual Trust's definition of a Family Office

The functional infrastructure made up of people, systems and processes that supports a Family Enterprise in planning, managing, transferring and perpetuating wealth in an integrated way across generations to achieve what matters most to the family, as well as sustain the positive contributions they make to society.

The support from a Family Office can extend to family advisory, family governance and decision-making processes, education of family members, intergenerational wealth transfers, asset protection, philanthropy, financial administration, tax compliance and investment management. A Family Office is not necessarily a legal entity, physical location or organisational structure, although it will often take on many of these traits as a family's wealth grows.

What is a Family Enterprise?

A Family Enterprise is defined as the collective activities of a family of significant wealth or an individual of significant wealth and their family members. These activities encompass the family's entrepreneurial, philanthropic and investment endeavours, governance, taxation compliance, development of the rising generation and succession and estate planning, and family engagement pursuits.

The term 'Family Enterprise' may also encompass the family's operating businesses.

Methodology

The research referred to in this report comprises two primary research reports authored by Associate Professor, Dr. Chris Graves, from the University of Adelaide:

1. The Phase 1 report: *The Role of Family Offices* used research derived from three resources: insights gained from previous survey reports of the Australian Family Office sector; insights gained from a review of the latest literature on Family Enterprises and Family Offices from around the world; and insights gained from interviews conducted by the University of Adelaide with Family Office experts in the field both in Australia and overseas. Interviews were transcribed and analysed using NVivo. This process identified several themes that were grouped according to the broad research questions that were the focus of Professor Graves' study.
2. For the University of Adelaide's Phase 2 report: *Insights from Family Enterprise Leaders*, information provided was derived from insights gained from interviews of ultra-high-net-worth ("UHNW") family leaders. Specifically, a qualitative analysis of interviews with 27 family leaders was undertaken by the University of Adelaide.

The University of Adelaide's two-phased reports received funding and in-kind support from Mutual Trust and received a research grant from the South Australian Government's Research and Commercialisation and Start-up Fund.

This report was written and produced by Mutual Trust. In addition to containing research and data from the University of Adelaide, it features insights of senior advisors who have deep expertise supporting some of Australia's wealthiest families, outlining the framework Mutual Trust uses to help UHNW families formulate their strategies for success. This includes encouraging and empowering family members to flourish – professionally and personally – as well as underpinning the continued growth and transfer of significant wealth to future generations.

All participants quoted in this report have provided their consent to disclose their story, however, details such as names and places have been changed for privacy reasons.

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Welcome

It is with great pleasure that we welcome readers to our Family Office Report. It explores the practices adopted by wealthy families that enable them to succeed in passing their wealth on to future generations, and how the probabilities of success significantly improve with the help of a modern Family Office. This report outlines the multi-faceted approach that a modern Family Office takes to assist families in creating a long-term strategy for their success. It outlines the different configurations Family Offices can take and the criteria by which families can decide the model that would suit them best. A first of its kind in Australia, the report draws on the academic research and findings of the University of Adelaide and has been prepared by Mutual Trust.

Each generation faces serious wealth-preservation challenges which, if not carefully managed, can lead to the erosion not only of wealth but of family entrepreneurship, harmony and unity. There are also significant implications for Australia's prosperity and societal welfare.

Families of wealth are vital to the Australian economy, providing large numbers of jobs, capital, business innovation and community support. This is put at risk if wealthy families are not effectively supported. If the leading strategic practices of Australia's most successful Family Offices are adopted by families of wealth, then more private capital will be grown and deployed – for the benefit of the families themselves, the economy and society.

Mutual Trust, as a Multi-Family Office, has more than 100 years of experience in helping families successfully manage their intergenerational wealth by adopting our proven multi-faceted, purpose-led approach. We express our gratitude for the contribution of our research partner, the University of Adelaide. Our warmest appreciation goes to Mutual Trust's clients who have put their deep trust in us. We also thank many of you for your generous contribution to this publication in sharing your insights and experience.

Yours sincerely,

Phil Harkness

Mutual Trust CEO
and Managing Partner

Jeff Steiner

Partner,
Head of Family Office

"We have seen first hand that when Family Enterprises work together purposefully, they are a powerful force. They deploy their capital to expand their businesses, employ people, build infrastructure, invest in innovation, back start-up ventures and give thoughtfully and strategically to charities. As their success grows, they also pay more tax which stimulates the economy. The economic multiplier effect of their pursuits and activity is considerable."

PHIL HARKNESS, CEO AND MANAGING PARTNER, MUTUAL TRUST

"Just imagine the entrepreneurial, philanthropic, financial and personal energy that can be unlocked if every Family Enterprise has a clear sense of purpose for its wealth and a strategy to execute it."

JEFF STEINER, PARTNER, HEAD OF FAMILY OFFICE, MUTUAL TRUST

Introduction

As highlighted in the research findings of this study, Family Enterprises are a significant contributor to Australia's prosperity and societal wellbeing. Consequently, the continuity of Australian Family Enterprises is in everyone's interests.

With the 'great wealth transfer' upon us, where an estimated AUD$3.5 trillion of wealth globally is anticipated to be passed between generations from now until 2030, it is more important than ever for Family Enterprises to adopt an appropriate Family Office model to assist them in planning, managing, transferring and perpetuating the contribution of their wealth across generations.

By adopting an appropriate Family Office model for managing their wealth, Family Enterprises can multiply the impact their wealth has on the broader economy. This research highlights that every one percentage point improvement in annual return on the wealth managed by Australian Family Offices results in greater employment opportunities by way of job creation and therefore an increase in Gross Domestic Product and tax contributions.

The reality is many Family Enterprises do not have an appropriate Family Office model in place to effectively manage their wealth for the future. This is because:

- they are not aware of alternative Family Office models and configurations and/or
- they struggle to transition to a more appropriate model and/or
- believe it is too costly and/or
- the broader family does not support a change to wealth-managing transformation.

It is my hope that this research contributes towards a better understanding of the nature and purpose of Family Offices and how the selection of an appropriate Family Office model with modern practices, can assist a Family Enterprise to achieve what matters most to the family as well as boost the positive societal contribution they make.

I would like to thank the Government of South Australia and Mutual Trust for funding this important piece of research. I would also like to thank the Family Enterprise advisors and leaders who willingly gave up their time to be interviewed as part of this research. This project has been a great example of how industry, government and academia can work together to advance knowledge for the betterment of society.

Dr. Christopher Graves

Associate Professor – Entrepreneurship & Family Enterprise
Head of Entrepreneurship, Innovation and Family Enterprise Discipline
Head of Family Business Education & Research Group (FBERG)
The University of Adelaide Business School

SECTION 1

The positive socio-economic impact of wealthy families

Wealthy families have a significant positive socio-economic impact on Australia

Families of wealth are vital to the Australian economy:

- Their Family Enterprises provide large numbers of jobs to the private sector, employing 6.32 million Australians.
- As a result, they pay AU$294 billion in wages, 48.3% of total private-sector wages each year.
- They play an important role in the Australian private equity and venture capital sector, providing 7% of the total sector funding. Also providing essential funding to small projects and businesses not supported by those private equity and venture capitalists who favour bigger projects.
- Wealth invested outside their operating businesses have a significant impact on the economy. The 350 largest Family Offices manage between AU$515 billion and AU$695 billion of wealth outside their operating businesses. The investment of this wealth led to 446,000 to 600,000 new full-time jobs, which in turn generated AU$38 billion to AU$51 billion in further wages and AU$3.6 billion to AU$5 billion in additional tax payments (excluding personal income tax).
- They contribute around AU$1 billion each year to educational support and poverty alleviation for those most disadvantaged, as well as scientific research, technological advancements, arts and health-oriented philanthropic activities.

Research undertaken by the University of Adelaide shows that every one percentage point improvement in annual return on the wealth managed by Australian Family Offices will result in:

- The creation of between 35,700 to 48,000 full-time jobs;
- AU$3.1 billion to AU$4.1 billion in wages;
- AU$5.8 billion to AU$7.8 billion in Gross Domestic Product; and
- AU$290 million to AU$390 million in direct taxes (excluding personal income tax).

The total number of Australia's wealthy families is expected to increase by 28.5% from 2020 to 2024 adding a multiplier effect to these benefits.

The impact of family wealth is more than economic. It includes involvement in philanthropic and responsible investment activities, with family members working together with a shared purpose to achieve an impact in the communities in which they live, and build self-efficacy of the next generation of family members.

Families of wealth are vital to the Australian economy

6.32 MILLION

AUSTRALIANS EMPLOYED

by Family Enterprises in the private sector.

7%

OF TOTAL FUNDING

provided to Australian Private Equity & Venture Capital sector.

$294 BILLION

IN WAGES PAID

48.3% of total private-sector wages each year.

THE 350 LARGEST FAMILY OFFICES INVEST IN NON-FAMILY-OWNED ENTERPRISES

$515-695 BILLION

INVESTED

outside their operating businesses in 2021.

446,000–600,000 NEW JOBS

at full-time capacity created, which in turn generated **AU$38 billion** to **AU$51 billion** in further wages.

$3.6-5.0 BILLION

IN TAX PAYMENTS

excluding personal income tax.

28.5%

EXPECTED INCREASE IN THE NUMBER OF AUSTRALIA'S WEALTHY FAMILIES BY 2024

adding a multiplier effect to these benefits.

Lasting positive socio-economic impact depends on wealthy families prospering for generations

With AUD $3.5 trillion of wealth expected to pass between generations in Australia over the next two decades[i], there are significant economic and societal well-being benefits at risk if this intergenerational wealth transfer is not managed effectively.

A wealth transfer is unsuccessful if it involuntarily removes a family's wealth from the control of the beneficiaries[ii]. If the form of a family's assets is changed, e.g. a family business is sold and converted to cash, that is a recycling of wealth, not an unsuccessful transfer. Similarly, if families choose to 'unbundle' their assets, e.g. distribute capital to family branches or individual beneficiaries, then that is a change in the ownership structure, not an unsuccessful transfer.

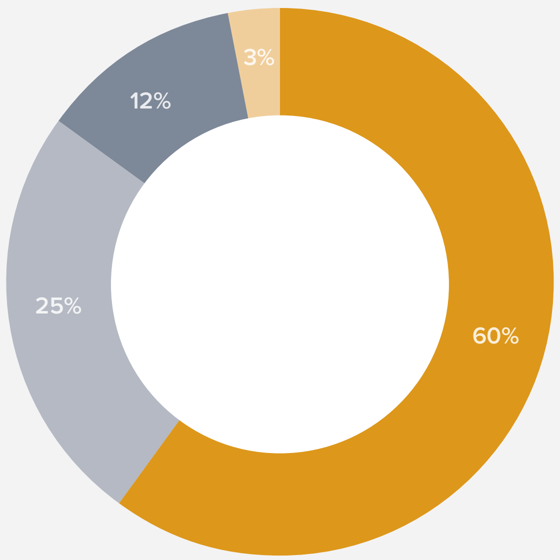
Of the reasons why intergenerational wealth transfers are not successful, 60%[iii] are attributed to two key things; a lack of communication and/or a breakdown of trust. The remaining 40% is attributed to insufficient preparation of heirs (25%); families not defining their Purpose of Wealth (12%); and, poor investment advice (3%). Many families focus on just the 3% driver of wealth – investment advice – rather than the more important components that contribute to success.

Focusing on communication is vitally important. It builds trust among family members, helps make family members' aspirations clearer, and results in better decision making as there is better understanding within the family of the facts involved. Every family (and each family member) has its own set of complexities, and transparent discussions can help to address concerns.

The second most important factor for success is to ensure the younger members of the family are equipped with the tools and experience they need to lead and manage family wealth. In doing so, families can focus on education and engagement of individual family members in conjunction with the family as a collective. Families who build awareness around family affairs, history and legacy often break down the "generational barriers," building trust and confidence that family wealth will be preserved, and future actions will align with the family's Purpose of Wealth.

The third most important success factor is defining the family's Purpose of Wealth. Each family member is different and driven in unique ways. A successful family can define the 'how' of applying their wealth for different familial purposes while leveraging the individual strengths of each family member. They value their differences and support personal passions. This encourages each family member to live a productive, healthy and fulfilled life.

In Mutual Trust's experience, families who have addressed these non-financial challenges are more likely to thrive and be successful in passing their wealth to future generations than those who don't. And in turn, their positive socio-economic impact on Australia is more likely to continue.



REASONS WEALTH TRANSFERS ARE UNSUCCESSFUL [iv]

According to global research 97% of family wealth is lost due to non-financial reasons.

Lack of communication and trust within the family	60%
Failure to prepare inheritors	25%
Lack of shared family purpose	12%
Failures in financial planning, tax planning and investments	3%

MUTUAL TRUST CASE STUDY

Impact of the Trentini Family

Upon their arrival in Australia, the Trentini* family purchased 150 hectares of land in south-western Victoria with the intention of establishing a dairy farm. What they didn't foresee was the profound positive impact the ongoing growth of the farm would have on their local community.

Already experienced in dairy farming through their upbringing in Lombardia Italy, it didn't take long for the Trentinis to build a successful farm which supplied dairy products to local businesses.

Over time, as the farm grew in size and profitability, so did the Trentini family wealth. What was once a small Family Enterprise had now become a key contributor to Victoria's milk production.

Through the success of this Family Enterprise, today the dairy farm provides more than 200 local full-time jobs, paying generous wages and superannuation contributions to members of the community.

The Trentinis are passionate about investing their wealth back into the region that first welcomed them in 1954. They purchase their grain, equipment and other farm supplies from local businesses and hire local staff. In 2004, they bought the tired town pub and invested a portion of their wealth into renovating and creating a welcoming space to bring the community together. Over the following decade, they established a boutique B&B in addition to the pub, attracting tourists and visitors to the area. This generated further opportunities for paid work and created more business for local suppliers.

When fires swept through the region in 2018, the Trentinis used their pub to provide free accommodation and meals to locals who had lost their homes. They were also in a position to donate a considerable sum of money to support local recovery and rehabilitation efforts.

The third generation of the Trentini family remains actively involved in the community by sponsoring the local football and netball clubs, along with other community initiatives to ensure their family wealth continues to enrich and give back to the region they are proud to call home.

* Family name has been changed for privacy reasons.

SECTION 2

How Family Offices help wealthy families

A modern Family Office is the dedicated team of professionals who supports wealthy families in planning, managing, transferring and perpetuating wealth across generations to achieve what matters most to the family as well as advance the positive contribution they make to society.

The services of a Family Office include the key infrastructure required such as: family advisory; family governance and decision-making processes; education of family members; intergenerational wealth transfers; asset protection; philanthropy; financial administration; tax compliance and investment management.

A Family Office is not necessarily a legal entity, physical location or organisational structure, although it will often take on many of these traits as a family's wealth grows.

There are four types of Family Office operating models:

- Single Family Office ("SFO") with a dedicated full-time team looking after one family;
- Business Family Office ("BFO") that uses professionals from the family business to also look after the family's personal affairs;
- Virtual Family Office ("VFO") where the family co-ordinates professionals from different service providers to meet their needs; and
- Multi-Family Office ("MFO") a third-party company with in-house multi-disciplinary professionals who look after multiple families using dedicated teams.

FOUR TYPES OF FAMILY OFFICE OPERATING MODELS

SINGLE FAMILY OFFICE (SFO)	BUSINESS FAMILY OFFICE (BFO)	VIRTUAL FAMILY OFFICE (VFO)	MULTI-FAMILY OFFICE (MFO)
Is where the family establishes and operates a legal entity separately from its operating businesses. The SFO may have a family or non-family CEO and employ staff and utilise outside expertise. The SFO is solely devoted to providing Family Office services to a single family.	Is where a family introduces a degree of separation between the family's business entity and their wealth management. In practice, this approach is embedded within the family's primary business, where an employee (e.g. their CFO) is entrusted with managing the family's wealth outside the business.	Is where the family uses external providers such as advisors from accounting firms, stockbroking firms and/or banking institutions.	Is similar to an SFO except that it offers a broader range and scale of Family Office services to several unrelated Family Enterprises. Commercial MFOs are often owned by third parties and families who offer a wide range of tailored Family Office services to Family Enterprises of different sizes.

As successful families accumulate wealth over time through their entrepreneurial and investment endeavours, a catalytic event often occurs which leads them to transition to a more coordinated approach to managing the family's wealth. This can be provided by a Family Office.

These events can include:

- **Substantial growth of family wealth**

> *"Most people start off with an accountant... but you need broader advice when your wealth multiplies, such as investment advice."*
>
> Family Enterprise leader, participant 19

- **Expansion and growth of family members *or* generational change or planning for future generational change**

> *"Dad was focussed on managing the Family Enterprise for his generation using a family trust and taking yearly advice from different accountants with no real written-down plan for the future...Once our generation took over the responsibilities for leading the Family Enterprise, our thoughts turned towards structuring and managing the wealth for the rising generation and beyond."*
>
> Family Enterprise leader, participant 19

- **A liquidity event**

> *"...when we had this liquidity event [selling of the business], we really needed to reorganise and manage our wealth under one umbrella. We thought about employing an accountant, but we decided the use of an MFO (Multi-Family Office) structure would be better."*
>
> Family Enterprise leader, participant 7

When a catalytic event happens or is on the horizon, wealthy families often seek to understand the options available to them from a Family Office.
But what kind of Family Office should they seek?

Choosing an appropriate Family Office model is not straight forward. "When you have seen one Family Office, you have seen one Family Office" is a common phrase used by advisors as they consider the specific circumstances of a family to configure the most suitable model.

Considerations include:

- Size of wealth;
- Source of wealth;
- Resources and expertise within the family;
- Preferences of family members;
- Desire to learn about managing family wealth;
- Complexity of family affairs;
- The desire for freedom to focus on what matters most beside managing family affairs; and
- The desire for an integrated but flexible, whole-of-family approach.

Size of wealth

The Family Office options available are influenced by the size of a family's wealth. The larger the wealth, the greater the ability to leverage the costs of establishing a Single Family Office. Typically, families of significant wealth (minimum investable wealth of $500 million) will adopt a Single Family Office model to serve their needs. Other families will pursue alternative models that are more cost effective.

> *"With an SFO structure, you need to find suitable accountants, legal advisors and other advisors which will cost you x. When I went to using an MFO provider, my cost was x divided by 2. So, first and foremost, the use of an MFO is a cost-effective way of doing it."*
>
> Family Enterprise leader, participant 7

For this reason, many families will choose to use a Multi-Family Office provider or try and coordinate the use of Virtual Family Office providers. However, some can get 'stuck in the middle' of a transition to a more appropriate Family Office model because of insufficient wealth to finance the change.

Source of wealth

Of the 27 Family Offices represented in the University of Adelaide research, eight used a Family Office approach classified as a Business Family Office. In the main, this approach was perceived as part of a journey in transitioning from a 'family in business' mindset towards a 'Family Enterprise' mindset. Consequently, using a Business Family Office model was the reflection of the lifecycle of the family's wealth and from where it had generated most of its wealth, i.e. through a business entity or entities.

> *"We're ready to transition from a BFO to an SFO or use an MFO provider, but we're not quite big enough wealth-wise to justify a Family Office. The challenge we face is that the family members working within the BFO can't also take on managing the family side, which I think is critical to our future."*
>
> Family Enterprise leader, participant 25

Conversely, families of wealth were more likely to utilise a Multi-Family Office service provider when most of the wealth had been created by having professional careers or inheriting a significant sum of money.

> *"I had a very good career… and I've done very well on the stock market… and so I didn't have any money until reasonably late in life. I'm a qualified accountant and have significant experience in managing businesses. But I have no experience in how families go about managing and how to pass that on, etc. I was looking for an organisation that would be there long term to look after the financial affairs of my family when I'm no longer around… I didn't know exactly what I wanted and the Multi-Family Office provider helped me sort that out. I was very pleased with the result, actually."*
>
> Family Enterprise leader, participant 18

Resources and expertise within the family

Some families have the expertise required to run a Family Office and are more likely to adopt a Single Family Office approach, tapping into additional expertise from external providers such as Virtual Family Offices or Multi-Family Offices.

Past involvement in managing business entities and creating wealth may also encourage family members to adopt a Single Family Office model and actively manage the family's wealth in-house. Alternatively, a family with little interest in being involved, or one whose interest has waned over time, may be more inclined to use a Multi-Family Office provider.

Single Family Offices may opt to use Multi-Family Offices to fill gaps in expertise, systems and processes they require to be successful. Often a Single Family Office will transition into a Multi-Family Office where it retains its identity, staff and its own office space, but becomes part of a model which provides more expertise, which it can tap into and effectively broaden its team's capabilities. This also mitigates key person risk and provides scale efficiencies.

Single Family Offices often seek to partner with Multi-Family Offices over the long-term to serve as a backup or successor to their Single Family Offices. This becomes critically important in the event there is a change in family circumstances in the future that warrants a change in their family office model. This partnership mitigates key risks and provides continuity for the family.

Preferences of the family

Preference for control or active involvement is a factor when family members desire 'hands-on' involvement in key aspects of the Family Office, particularly when it comes to managing their business entities, investment portfolios and participation in direct private equity investments. In many cases, such preferences will steer families to adopt Single Family Office models.

> *"...the first generation of wealth creators, in my view, find it harder to outsource or delegate to service providers and then the second and third and fourth allow it. Because the first-generation of wealth creators have made the wealth themselves, they feel they know what to do."*
>
> Family Enterprise leader, participant 6

The desire to learn about managing family wealth

Some members of the family may have a keen desire to learn essential aspects of managing wealth and educate the subsequent generations to take on the responsibilities of running the Family Office. Consequently, they may be more likely to adopt a Single Family Office approach and acquire the additional expertise outside the family, using external providers such as Virtual Family Offices or Multi-Family Offices.

The complexities of a family's affairs

In direct contrast, one family patriarch, perhaps due to the complexities of his family's wealth and growing number of family branches and members suggested that using a Multi-Family Office provider has allowed him to learn more from other families that use the same Multi-Family Office.

> *"...Well, it's a big job managing a family asset base with the people involved. So, I think the Multi-Family Office is a much better place for comparing notes with other people."*
>
> Family Enterprise leader, participant 2

The desire for freedom to focus on what matters most

Some family members want to be free from the administrative burden of managing and coordinating wealth. Instead, they have a deep desire to channel their energies into what matters most to their family. Such families are more likely to spend their time on leading and engaging family members and preparing them for wealth transition while outsourcing all key management functions to a Multi-Family Office provider.

The desire for an integrated but flexible, whole-of-family approach

One of the perceived benefits of Multi-Family Office providers is their broad range of Family Office-related services, providing better coordination of advice to meet the specific needs of the family as a whole.

> *"Using an MFO provider gives us a family focus which an accounting firm doesn't provide you... I'm all about upscaling my family so that they can actually walk in and take control in the future... An accounting firm starts with 'I'll do your numbers for you'. Well, that's great. When you walk into an MFO, they begin with 'I'll look after your family for you'..."*
>
> Family Enterprise leader, participant 2

> *"I don't want to be rude, but I can get your [tax and accounting] services from anybody. If you look after my family – not me but my family – than you'll probably have us for a generation or two. Now that means looking after the individuals, not just the accounting."*
>
> Family Enterprise leader, participant 1

It also provides families with the flexibility to choose the level of support they require. One family leader suggested that Multi-Family Office providers are better placed to assist in succession planning and rising generation development because of the level of independence, objectivity and focus they can bring.

> *"...If I get to the point where I don't want to spend the time, or I'm not capable of doing what I am doing now, I can transfer either all or parts to the MFO provider just as if I'd passed away."*
>
> Family Enterprise leader, participant 18

> *"There is less succession planning when you have a Single Family Office because you have to run it like a business."*
>
> Family Enterprise leader, participant 7

Multi-Family Office advantage

A key advantage of a Multi-Family Office over other Family Office types is the depth and breadth of services that can be provided to Family Enterprises. While Multi-Family Offices are a common feature in North America, they are less common in Australia where Virtual Family Offices and Single Family Offices dominate the sector.

In Australia, it is common for Single Family Offices or a Business Family Office to overlap particular services provided by Multi-Family Offices. This is often the case to supplement in-house expertise and provide additional capability and resourcing.

Choosing an appropriate Family Office model means that a structured process and a team of experts are put in place to help create and execute the long-term Family Strategy. It can be implemented with varying levels of participation by the family; but with certainty that it is not dependent on any one family member. This creates significant peace of mind for families, builds trust and helps to improve the long-term outcomes for wealthy families.

> *"...The thing I like about using a Multi-Family Office provider is they've got the culture about helping you and have the people who are very experienced in working with families. Also, you have the option of only using some or all of their services, depending on your needs and preferences. For instance, if I decided tomorrow that I didn't want to spend any time on finance at all or maybe I have a stroke and am incapacitated, they can take on these additional responsibilities in the way we've agreed on and documented."*
>
> Family Enterprise leader, participant 18

> *"During the challenges we faced as a family with Dad's illness, our Multi-Family Office provided a considerable amount of practical, pragmatic, and emotional support – particularly for Mum. It's difficult to capture just how significant their impact has been... and that's the type of service MFOs can provide. I don't view them like the accountant or a taxation specialist. I view them as people with whom I have a really wonderful working relationship. They actually care very deeply about us."*
>
> Family Enterprise leader, participant 24

> *"If we're talking about family advice and strategy execution you'll probably find the Multi-Family Office will have higher expertise in those areas, than say, a Single Family Office, where if you've only got less than five to 10 people, they do get bogged down day to day with everything... they don't get the time to focus on the big picture like ownership, succession, education because all the other demands of the day get in the way."*
>
> Expert Family Office advisor 5

Strengths and challenges of different Family Office models

FAMILY OFFICE MODEL	STRENGTHS	CHALLENGES
BUSINESS FAMILY OFFICE	• Total control by an individual family member • Inexpensive through use of existing resources available to the family.	• High dependency on employee(s) entrusted with responsibility for assisting in the management of their wealth • Limited scope of services and expertise as dependent on employee(s) • Not suitable for when complexity increases • Risk exposure • Vulnerable to family conflict, dominant family member, lack of family commitment.
VIRTUAL FAMILY OFFICE	• Access to a comprehensive suite of services • Particularly suitable for Family Enterprises that no longer have operating businesses.	• Coordination of different advisors to ensure holistic solutions to managing wealth • Vulnerable to being more transactional rather than relational • Vulnerable to family conflict, dominant family member, lack of family commitment.
SINGLE FAMILY OFFICE	• Total control by the family • Privacy and anonymity • Dedicated to the family's needs and objectives • Able to be customised to meet family's needs • Services available on demand.	• Cost (expensive, requiring min. investible assets of $500M to be sustainable; below this some services will need to be outsourced) • Limited operational efficiencies as only serving one family • Difficulties in attracting and retaining required talent • Limited scope of services • Vulnerable to family conflict, dominant family member, lack of family commitment.
MULTI-FAMILY OFFICE	• Depth and breadth of services • Scalability • Cost effectiveness compared to a Single Family Office • Ability to integrate services to provide holistic solutions • Ability to attract and retain required talent, address key person risk and provide continuity • Third party independence more likely to act in the best interests of each individual client • Low dependency on any individual • Network & co-share opportunities with other Family Enterprises • Provision of data management and IT solutions.	• Being able to satisfy the needs and objectives of the diverse group of Family Enterprises • Vulnerable to greater bureaucracy and less flexibility / nimbleness and being more transactional rather than relational • Potential conflicts of interest – doing what's best for the Family Enterprise vs. what best for the commercial Multi-Family Office • Potential for group think.

SECTION 3

Modern Family Office practices make a difference

In assessing their options, wealthy families should ensure the model they choose uses modern Family Office practices. The modern Family Office has evolved over time from a largely transactional wealth creation and compliance vehicle pre-1980, to one that included the successful preparation of heirs pre-2020's, to the modern focus of understanding the purpose of a family's wealth and managing family dynamics and relationships to better deploy wealth and ensure its continuation.

'Wealth 3.0' represents the dawning of a new age in global family wealth theory

	WEALTH 1.0 –1980s	WEALTH 2.0 1980s–2020s	WEALTH 3.0 2020s–
FAMILY WEALTH THEORY	• Dynasties • Royal Families • Large Family Business Enterprises • Focused on financial transactions, wealth procurement and growth with the goal of acquiring increased wealth.	• John Ward and Williams & Preisser 'Wealth transfer failure' research • Jay Hughes Five Capitals of Wealth discussed '*Shirtsleeves to shirtsleeves in three generations*' • Focus shifted to preparing the rising generation for wealth and the inclusion of more family members in the conversation.	• Dialog shifting to focus on a holistic approach to wealth and a deeper understanding of the family dynamics that occur within high net worth families • Focus on Purpose of Wealth and open communication between generations.
FINANCIAL SERVICES INDUSTRY	• Advice provided by large stockbroking firms and private/investment banks • One to one relationship between the advisor and the family patriarch.	• Increased adoption of financial planners and the funds management industry • The one to one model gave way to a new relationship model between the family and the family office.	• Family Offices characterised by multi-disciplinary approach to wealth by establishing what matters most to families • Collaborative family based relationship model with gender and generation balance in both client and advisor.

Pre-2020s family wealth theory identified and emphasised the need to comprehensively prepare heirs to inherit as crucial to a successful intergenerational wealth transfer. This theory promoted good communication and trust as the primary drivers, proposing risk of failure otherwise.

Today, in the context of Wealth Theory 3.0 with a greater emphasis on motivation and engagement of family members, the prominent question asked by advisors is:

Is there good communication across family members about family wealth and how do they build trust over time so the family can succeed for generations?

In Mutual Trust's experience, *the* most important thing families should communicate about and agree upon is what matters most to individual family members and the family collectively.

This allows for the inclusion of individual aspirations and a shared set of family goals in a family's long-term plan. It also helps bring the family together while allowing individual needs to be recognised. It is this positive approach that plays to both individual and collective strengths, energising them to succeed and creating a clear set of objectives. Open communication on this topic, preferably with all family members, builds trust.

Having decided what matters most, families should then determine how to use their wealth to achieve that multi-faceted purpose. But how do families tackle this question?

Over the next 20 years there will be significant transitions from matriarchs and patriarchs overseeing the transfer of their families' wealth to their offspring and grandchildren. Many of those who are giving up control are acutely aware of the imperatives to get the wealth transition process right.

However, many families of wealth are failing to adopt the right Family Office model for their needs. This has a detrimental impact on family engagement and cohesion, which can prevent family members from thriving and the wealth being sustained over generations.

The research shows that in many instances, families may not want to talk about wealth and family issues, because it is an uncomfortable topic. It may raise difficult unresolved family matters and/or force them to confront their own mortality.

However, not doing so can prove divisive. As one participant in the University of Adelaide research said:

> *"Our father wouldn't even talk about wealth… the word 'wealth' was seen as a dirty word within our family… as a consequence, in my generation, we wouldn't raise the issue…. In recent years, the different branches of the family have come together to discuss wealth and it was too late as things were in a real mess… We've decided to divide up the wealth and go our separate ways as a family."*
>
> Family Enterprise leader, participant 23

To achieve succession over generations, wealth transition plans must be discussed, and wealth inheritors equipped to manage stewardship and all that it entails. Equally matriarchs and patriarchs need to know when it is time to hand the reins over. Inheriting significant wealth can be overwhelming, particularly if recipients are inadequately prepared. They may fear failure and the potential to let past, current and future family members down. For the older generation, there may be barriers to engagement, such as feelings of loss of control and concerns that their inheritors may not be ready to take over the reins.

All of these concerns are valid and need to be worked through with knowledgeable empathetic Family Office advisors in whom all family members can place their trust.

Mutual Trust, based upon more than 100 years of experience and supported by the University of Adelaide's research have identified five facets that matter most to families of wealth. This has been turned into a valuable family framework ("**The Mutual Trust Gemstone**") that can be applied to each family's unique situation.

The first and most important step is determining a family's Purpose of Wealth. This means helping a family to understand what matters most and using its wealth to achieve that purpose. This creates strong and enduring bonds of family cohesion.

The facets of The Mutual Trust Gemstone make up a family's Purpose of Wealth. Some facets will be more important to families and individual family members than others, and it is their combination into a periodically reviewed and updated Family Strategy that is key to success.

The five facets are:

1. Financial Prosperity;
2. Entrepreneurship;
3. Family Unity and Harmony;
4. Learning, Development and Fulfilment; and
5. Community Impact.

The Mutual Trust Gemstone

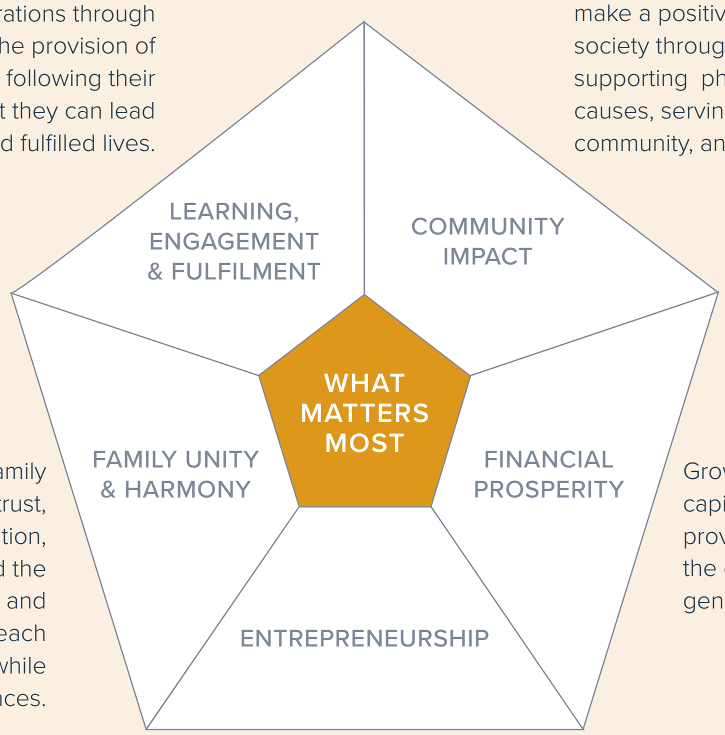
Mutual Trust has identified five facets wealthy families focus on to achieve what matters most to them. These facets form the family's Purpose of Wealth which is implemented through the Family's strategic plan, helped by their Family Office.

FAMILY STRATEGY

PURPOSE OF YOUR WEALTH

Enabling individual family members to pursue their personal aspirations through education, the provision of opportunities, and following their passions so that they can lead productive and fulfilled lives.

Giving the family's time, treasure, talent and ties to make a positive impact on society through creating jobs, supporting philanthropic causes, serving in the community, and paying taxes.



Strengthening family relationships, values and trust, building communication, problem solving and the ability to undertake roles and responsibilities using each person's strengths while valuing their differences.

Growing financial capital sustainably to provide for the needs of the current and future generations of the family.

The family's ability to use its wealth to perpetuate an entrepreneurial spirit by sustaining its operating business and supporting other entrepreneurs through the provision of both capital and talent.

1. Financial prosperity

Growing financial capital sustainably to provide for the needs of the current and future generations of the family.

The financial returns from the family's business and/or investment activities provide family members with a certain standard of living and the ability to achieve what matters most. For example, this may include assisting the rising generation with finance to purchase their first home, providing seed funding to pursue a new business idea, or enabling them to receive a good education. The family wealth also provides the ability to support family members in times of critical need. This may be to assist with a family member's physical or psychological wellbeing, or coming to the aid of a family member during a crisis.

The modern Family Office must provide a competitive finance and investment management offering and services for wealthy families to sustainably grow their financial capital, manage expenses and fund the other facets comprising their Purpose of Wealth.

> *"We want to retain that main core and make sure that it's generating enough money and growing for future generations. That's the legacy side, and we see ourselves as guardians of the wealth created by our grandparents. Even though they've passed away, we still live by that philosophy that it's their money, it's not ours. But at the same time, through distributions of the wealth, we'll provide each generation with the ability to create their own wealth in a step-by-step process."*
>
> Family Enterprise leader, participant 20

MUTUAL TRUST CASE STUDY

Financial prosperity

When the Chauvel* family found itself asset rich and cash poor, changes to their investment strategy were required to ensure long-term wealth sustainability.

Once a thriving entrepreneurial endeavour, the Chauvel family business had matured and stagnated in growth over the course of several decades.

Profits, along with family relationships, were on a downward spiral. The lack of reinvestment in the business had led to assets becoming tired and run-down, whilst cash drawings were reducing family capital.

The Chauvels found themselves facing a challenge which confronts many families of multigenerational wealth — it had become asset rich and cash poor.

With the arrival of grandchildren over recent years, the family had also become concerned about the sustainability of their wealth. How could they accommodate the needs of the present generation without compromising the livelihood of the next?

The Chauvels decided it was time to act. They engaged Mutual Trust to determine the rate of growth required over the next 20 years for the third generation to inherit the same as the second (in real terms, after inflation).

The financial modelling indicated the Chauvels would require a staggering 17% compounding rate per annum to achieve their objective. This is an aggressive rate of return and requires the investor to take on a material level of risk. A stagnant portfolio of cash and an underperforming operating business was no longer going to cut it for this family.

Mutual Trust worked closely with the Chauvels to undertake careful planning and provide expert advice. The family reallocated its long-term passive asset investments towards growth-orientated weightings and directed its business managers to implement a turnaround plan to drive returns. This included reinvesting underperforming assets and the sale of anything considered non-core.

Today, the Chauvels are set-up for success and are well on their way to achieving their goal of long-term wealth stability and the ability to support the financial wellbeing of the third generation.

Whilst this is an extreme example of what can happen after years of stagnation, it serves as an important reminder to ensure family investment strategies align with family objectives.

* Family name has been changed for privacy reasons.

2. Entrepreneurship

The family's ability to use its wealth to perpetuate an entrepreneurial spirit by sustaining its operating business and supporting other entrepreneurs through the provision of both capital and talent.

Throughout history, wealthy families have been the engine room for entrepreneurial activity. It is estimated that over 25% of all large Australian businesses (200+ employees) are family controlled.[v] The original source of family wealth is typically a successful commercial venture that becomes a crucial part of a family's history and expertise and a proud source of family identity.

Many families look to continue this legacy as part of their Purpose of Wealth, contributing to new venture creation and innovation and making significant investments in the private equity sector.

By way of example, Mutual Trust saw a 64% increase from F21 to F22 in early-stage investments, late expansion investments (growth capital) and buyouts.

This is further supported by various participants in the University research. One such person said:

> *"we [look for SMEs] where we know we can add value with our experience of running a business for twenty-five years and successfully exiting… and just doing certain things… the other things that we are looking at are keeping a good business on-going because of the spin-off benefits to the community."*
>
> Family Enterprise member, participant 14

For many wealthy families owning and operating businesses creates a sense of purpose. Unlike holding passive investments, involvement in the business often provides a sense of socio-emotional fulfillment. Another stated:

> *"we very much like the idea of operating businesses that employ people as opposed to passive investments. We're building something for ourselves and for the community as well. There is an amount of sentimental pride in knowing that we're providing something which gives others opportunities."*
>
> Family Enterprise member, participant 12

One family leader highlighted how they have invested in over 20 start-ups, particularly in women-led ventures that the family feels passionate about. They said:

> *"… for me, investing in start-ups is not just about the financial return… I like the opportunity to mentor some great individuals. It's also just the excitement of being involved in something new."*
>
> Family Enterprise leader, participant 17

And a Family Enterprise Leader also said:

> *"To be honest, I'm having fun when given the opportunity to invest directly in innovative start-ups. Am I going to succeed? Possibly not, but I'm not betting the farm on it. But, if these ideas I'm investing in work, they will be transformational."*
>
> Family Enterprise leader, participant 7

MUTUAL TRUST CASE STUDY

Entrepreneurship

The success of the Ramsey* winery comes from an enduring family passion for business growth, and this is what enabled their youngest son to unlock his own entrepreneurial spirit.

For more than three generations, the Ramsey family has owned and operated a thriving winery and vineyard where they grow their own grapes and produce their own wine for domestic and international markets. The Ramsey's youngest son, Seth*, spent much of his childhood in the vineyards, picking grapes and helping to bottle the wine each Autumn.

Although he cherishes fond memories of this time spent with his family, Seth knew from early on that he wasn't passionate about winemaking. As a young adult, he sought a career outside the family unit and decided to undertake a business degree in Scotland, where he spent the next eight years completing his studies and gaining practical work experience as a product manager for a global bank.

Upon returning to Australia and joining a family meeting, Seth talked openly with his parents about his newfound passion for distilling whisky. Whilst the Ramseys would have loved for their son to take over the family business, they also felt it was important he had the opportunity to build his own enterprise.

The Ramsey's decided to leverage the family bank, using a portion of their wealth to invest in the whisky distillery Seth was working hard to establish.

Through his parents' support and their passion for business growth, Seth unlocked his own entrepreneurial spirit and was able to build a very successful and profitable business. Today, his whisky is available for sale at national retailers as well as the family's vineyard cellar door.

Importantly, he is happy and fulfilled in his career and maintains a strong connection with his family. Whilst he will not be taking over the family business, the Ramsey entrepreneurial legacy lives on through Seth's own venture.

* Family and family members' names have been changed for privacy reasons

3. Family unity and harmony

Strengthening family relationships, values and trust, building communication, problem solving and the ability to undertake roles and responsibilities using each person's strengths while valuing their differences.

The research shows that families experience common issues with unity and harmony. These centre around:

- Generational differences;
- The psychological impact of selling a business;
- Relationship changes;
- Discussions about separating wealth; and
- Engaging subsequent generations of family members.

Unlike the previous two facets of Financial Prosperity and Entrepreneurship that are the more traditional domain of Family Offices, the modern Family Office includes helping to achieve family unity and harmony. This does not necessarily mean keeping the family wealth together. As one of the research participants stated:

> *"...probably one of the greatest myths out there is that keeping it [the wealth] together equals family cohesion and unity. There needs to be a net benefit to do so, which involves assessing financial benefits, for sure. But also, consideration of non-financial benefits such as your family cohesion... I think a by-product of talking about this is family cohesion; even though it might cause a bit of tension, at least you're all on the same page."*
>
> Family Enterprise leader, participant 24

Family unity and harmony begins with a shared understanding of what is important to family members individually and collectively. It can include such things as perpetuating the family legacy, maintaining the family farm, addressing climate change or ensuring all family members have the same opportunities as the founding members. It is then documented in the Family Strategy, ensuring everyone is on the same page with a purpose-led strategy that encompasses both individual and collective family needs. Creating this strategy is complicated and requires honest, open collaboration and careful guidance.

Family unity and harmony is reinforced by exploring the family's values that underpin how the Family Strategy is executed. And lastly, it is operationalised by putting in place family roles and responsibilities for implementing the strategy, with a governance model on which everyone agrees.

The modern Family Office facilitates this process, bringing both expertise and objectivity to assist the family to execute the Family Strategy.

MUTUAL TRUST CASE STUDY

Family unity and harmony

Understanding their differences and celebrating shared interests enabled the Brandt* family to build a unified vision for its wealth, with family members working together to benefit the local community.

Eight years ago, the Brandt sisters (second generation) were not on speaking terms. All lines of communication were broken.

The Brandts decided to engage a Mutual Trust family dynamic expert, who worked with them to understand their differences and identify the unique value their individual strengths contributed to the family unit.

By exploring these underlying complexities, the Brandts were able to identify their shared values and develop a unified vision and purpose for their wealth.

Through this process the family was delighted to realise that, despite their differences, they shared a passion for education and the arts. Mutual Trust's Philanthropy team then worked with them to establish a foundation which provides scholarship grants within these sectors to disadvantaged students.

Today, the Brandts have learnt new and effective ways to communicate, and the sisters are now on talking terms.

The family foundation created a platform to bring the Brandts together whilst respecting their differences. Ultimately, the Brandt family legacy and the philanthropic impact of their wealth became bigger than themselves. The family now recognise and respect each person's differences, communicates effectively and treasures the unity gained through their common interests.

* Family and family members' names have been changed for privacy reasons

SCAN TO VIEW MUTUAL TRUST BOARD VIDEO

https://repository.mutualtrust.com.au/100_Years_Mutual_Trust.mp4

"We do some things separately, but we do some things together. The family farm is a real focal point for all of us – it brings the three generations all together into a central focal point, and we sort of all take pride in working the family farm together… We just bought more land there for Dad, and so the farm has sort of expanded… It's also where my parents live, so it's great for keeping the family together… We all see them as being great role models and very hard-working entrepreneurial family leaders."

Family Enterprise leader, participant 11

A SUCCESSFUL WEALTH TRANSFER CAN LOOK LIKE MANY THINGS FOR A FAMILY.

- Family members could be separate to pursue their own interests while at the same time preserving family values and legacy.
- Family members could keep it all together and prosper as a family.
- Family members could maintain a core base of wealth for the family as a collective to grow and do things together that matter most and carve off capital to the individual family branches to be independent and pursue their own paths. This is a very successful model that works well. It takes pressure off the collective and allows the individuals to prosper.

"…one of the most challenging but important pieces of work that we've done, which took two years to do as a family, was deciding on the policies, process and mechanisms around enabling a family member to exit… the worst thing you want to do is make them stay in golden handcuffs because that's worse, that's the most disruptive thing we could do… there are many valid reasons why a family member may need to exit such as poor health or a traumatic event."

Family Enterprise member, participant 13

4. Learning, engagement and fulfilment

Enabling individual family members to pursue their personal aspirations through education, the provision of opportunities, and following their passions so they can lead productive and fulfilled lives.

For families to flourish, individual family members must also be set up for success. In recognising the need to engage all family members, particularly the rising generation, families can implement strategies to build knowledge and engagement, thereby preparing heirs to become responsible stewards of wealth. This facet of the Mutual Trust Gemstone involves developing an understanding of individual family members' aspirations, the degree of engagement that they seek in developing and implementing the Family Strategy, and the skills they need to achieve their aspirations and involvement. As one participant in the research said:

> *"We've established a giving project where we'll give them five hundred dollars each where they're required to research a charity, complete a one-page summary they want to give to the charity, and report back to the family to explain why… That's a process we'll run from now until they're eighteen, hoping that that will evolve into them understanding more about our values, what wealth is for, the community needs, and building unity by doing it as a family… So, by the time they are sixteen, we can start getting them involved in more complex decisions regarding the Family Enterprise… The aim is to develop them into well-rounded individuals for the benefit of the present, but more importantly, future generations, personally and for the community."*
>
> Family Enterprise leader, Participant 20

The modern Family Office advisor helps support family members to form and express their goals and desires which then form part of the Family Strategy – something they may not have felt comfortable doing without the help of an independent third party. Often this can involve disclosures that run counter to family expectations and require a carefully thought-out process.

An individual's aspirations are not static, so this facet also requires the support of people through the various stages of life with personalised learning plans, expertise, and engagement among peer networks; which the modern Family Office can provide.

Once a family can uncover individual aspirations and enhance the wellbeing of every family member on their journey to personal fulfillment, they will add significant value to the family as a whole. It should also facilitate learning together in a way that nourishes the family's and each family member's creative energies. Many wealthy families ask the modern Family Office to organise regular family retreats and study tours expressly for this purpose.

A considered program of learning, engagement and fulfilment strategies will assist individuals and the family collectively to learn new skills and continue on a journey of personal growth. Successful implementation of this facet will aid family members to effectively perform their responsibilities in helping to achieve the family's continued success.

MUTUAL TRUST CASE STUDY

Learning, engagement and fulfilment

Embracing the interests of their youngest family members enabled the Mireault* family to identify a clear purpose for their wealth.

The members of the Mireault family have a diverse array of skills – from property expertise through to software engineering. With two children in early adulthood, the parents faced the dilemma of whether to provide career opportunities through their Family Office or encourage them to explore their individual interests.

Accommodating the first child within the Family Office was relatively easy. With prior experience and interest in the real estate industry, she was able to take on the responsibility of the family's property portfolio. The family formalised her role in line with market rates to agree clear responsibilities and provide transparency.

There was less of a natural fit in the Family Office for the second child. He was passionate about developing his own technology company – an interest which didn't align with the goals of the broader family.

Nonetheless, the parents felt it was important to provide their children with equal opportunities and engaged Mutual Trust to establish a Mireault family 'bank'. This included a funding structure with clear terms that catered for successful and unsuccessful outcomes.

Through this, they were able to lend their son the money required to build his new venture, on terms which would have been unavailable through a commercial bank.

As his business grew and became profitable, the son was able to repay the loan with a commercial rate of interest and go on to successfully build his own business legacy.

For the Mireault family, the purpose of their wealth was to give their children the support they needed to turn their passions into careers. In doing so, the children are happy and engaged, and family dynamics remain strong.

* Family name has been changed for privacy reasons

MUTUAL TRUST CASE STUDY

Learning, engagement and fulfilment

Unexpectedly widowed in her early 60s, Lara Edman* found herself responsible for her family's wealth, without the financial literacy or experience to manage it with confidence.

Throughout their forty-year union, Lara's husband had always taken care of their finances. As a prominent and experienced banking executive, it had seemed sensible that he would have this responsibility. Both Lara and her husband had assumed there was plenty of time to worry about succession planning and estate management.

Facing the shock of losing her life partner, along with suddenly becoming responsible for a significant amount of wealth, Lara was overwhelmed and fraught with worry.

To add complication to the matter, Lara's husband had been partway through a large and complex property investment deal, which required immediate action on her behalf.

In reaching out to Mutual Trust, Lara knew that her advisors would help her to finalise the property investment deal and develop her family's wealth management plan. What she wasn't prepared for however, were the opportunities she would be given to learn core wealth management concepts and undergo financial literacy training.

Lara has now been a Mutual Trust client for seven years. She regularly attends wealth management events and seminars, and her knowledge and experience continue to flourish.

Becoming financially literate not only helped Lara to find her feet during one of the most challenging times in her life, but also empowered her to protect and grow her family's wealth with confidence and purpose.

Lara is now focussed on ensuring that her two adult daughters don't eventually find themselves in the same situation. Lara has recently started inviting them to her meetings with Mutual Trust advisors and seeking the support of the Rising Gen program so that when the time is right, her daughters will be ready to embrace the responsibility of managing the Edman family wealth.

* First and Family name has been changed for privacy reasons

MUTUAL TRUST CASE STUDY

Learning, engagement and fulfilment

John and Tillie O'Brien* immigrated to Australia in the 1960's and started a small engineering business in the outer suburbs of Melbourne. Over the next fifty years, they grew the business substantially and today they employ more than 400 people nationally. John serves as the Executive Chairman and is very much involved in the day-to-day affairs of the business. Two of their four children also work in the business.

Tillie spent many years as the Human Resources Manager until turning her attention to philanthropy. One of the family's closest friends, Joan, passed away from Parkinson's disease — this impacted the family deeply. As a consequence, Tillie established a Foundation to focus on helping people suffering from serious diseases.

John and Tillie (now in their early eighties) and their four children (in their fifties) have been discussing what the next stage is for the family and how they might transition the family business and Foundation in the future. John and Tillie have six grandchildren aged between 6 to 15 and they want to spend more time connecting with them, as they have realised through the death of Joan that life is not eternal. They are also concerned about how their children will manage the business together beyond their lifetimes. Tillie has noticed that her children's generation is very different to her own. She also worries that they have only ever enjoyed the trimmings of their family wealth and may not really understand how their family started out and what it took to get to the privileged position they are in today.

John and Tillie sought help from their Multi-Family Office to organise a family retreat where they could all come together and discuss their top-of-mind issues and start important conversations. After consulting with all family members (including partners) on what mattered most and how to maximise engagement for everyone, the Multi-Family Office designed a program for the retreat. This was a complex exercise, noting the family consisted of three generations across four family branches, with some working in the business and some, especially the partners and grandchildren, having limited knowledge of family affairs.

The retreat was planned to ensure the first session had all family members in attendance. John and Tillie discussed their family history and Irish origins, sharing their family tree to give a sense of where they came from. They also explained why they immigrated to Australia with limited financial capital and worked tirelessly to start their business. They shared stories of their struggles to build the business and the challenges they faced in earning enough money to pay the rent, along with the hard work and persistence that was required to achieve what they have today. It was really important for John and Tillie to share these stories to help their family understand where they came from and build awareness of their key values. They hoped some of these values might flow through, and be fostered by, the family.

John and two of his children who worked in the business then presented a summary of the business operations and discussed how it not only creates value for customers, but also supports the wider community by employing 400 people who depend on them for their livelihoods, in addition to paying taxes to support the economy.

Tillie shared her story about how Joan's demise and tautology caused by Parkinson's disease had severely impacted her and explained how the O'Brien family was in a position where they could make a positive contribution to helping others suffering from Parkinson's and other related diseases. She explained how she gifted a large sum of money to a family Foundation so she could grant money to charities that help people like Joan.

During a later session, the family separated into groups. The children attended a session to share their expectations regarding the business and explore ways to respect John and Tillie's legacy, whilst making the business work for them as a collective (across four branches). This included discussion around whether to operate the business as is, expand, or even consider selling. The Multi-Family Office advisors facilitated the session, providing objectivity and a safe place for everyone (including partners) to voice their views. Their goal was to start sketching out what the future plan might look like.

Simultaneously, John and Tillie introduced their grandchildren to their Multi-Family Office advisory team and John explained the role of the family office and why it's so important to the O'Brien family.

John explained that the purpose of a Multi-Family Office is to help to grow and protect their family assets so they can be handed from one generation to the next in better shape than they received them. The grandchildren discovered that, through this team of professional advisors, they could seek assistance with building an investment portfolio, buying a house, giving to or volunteering at charities and, importantly, call on them to help navigate uncomfortable issues with family members.

The final session of the retreat involved all the O'Briens coming back together and sharing their experiences of the retreat. Each family member was given the opportunity to raise what they enjoyed most and least; what they learnt about each other and their individual interests and aspirations; and how to best engage everyone.

Unanimously the family agreed that they were all looking forward to the next retreat to build on what they had started.

* First and Family names have been changed for privacy reasons

5. Community impact

Giving the family's time, treasure, talent and ties to make a positive impact on society through creating jobs, supporting philanthropic causes, investing responsibly, serving in the community and paying taxes.

The University of Adelaide research highlights the importance that wealthy families place on having community impact to realise what matters most to them. This can be through the creation of jobs and opportunities within their businesses or, less directly, through the economic impact of the taxes they pay. The University of Adelaide research reported – wealthy families contributed $3.6 billion – $5 billion in Australian taxes in 2020.

Wealthy families have also enhanced the positive societal impact they can have due to their increasing levels of interest and participation in responsible investments, particularly in companies that create shared value. These are companies that are profitable and generate good investment returns while making the world a better place. This is highlighted in the research, where one person said:

> *"...there are more and more families who are looking for impact investments... there's a pool of capital that's becoming available there to benefit people who need it – organisations who are doing good work for the environment, for disadvantaged communities... So, I think [the] Family Office is playing a really important part of seeding the investment that is needed for social change."*
>
> Family Office advisor, participant 10

Traditionally, however, community impact for wealthy families has been achieved through philanthropy. Philanthropic activity allows family members to work together with a shared purpose to create a lasting positive impact. It can be a unifying force for family harmony as well as an expression of an individual's specific passions. Serving the community is also a protective factor against the modern malaise of anxiety and depression, as well as providing a platform to develop the values, perspective, work ethic and skills of the younger generation of family members.

Philanthropy is more than giving money to a worthy cause. Many wealthy family members also give their time and expertise by serving on Boards or committees of philanthropic organisations. The modern Family Office assists wealthy families not just with giving, but also with their philanthropy strategy, to ensure it aligns closely with the family's values and purpose, and is executed professionally and with maximum impact. This involves facilitated family strategy sessions, followed by development of a detailed execution plan which the Family Office helps to implement.

> *"[Philanthropy] was an excellent way to educate the kids a bit and give back something to the community. The Multi-Family Office does all the admin, and we have governance meetings to identify charities or organisations that meet the regulatory framework and the rules [we've established]... they're pretty good. The kids quite enjoy it, and... it's been a great way to educate them on other aspects such as why you might use trust structures to protect assets."*
>
> Family Enterprise leader, participant 13

MUTUAL TRUST CASE STUDY

Community impact

Passionate about supporting young people with intellectual disabilities, the Alroy* family funded research to identify where their giving could have the greatest impact. They then set about making these changes through an innovative philanthropic approach.

Tired of observing the barriers their own family member faced in navigating life with an intellectual disability, the Alroys made the decision to advocate for change.

The Alroys recognised they were just one piece of the puzzle when it came to making a real difference in this space. Through their family foundation, they decided to partner with a large not-for-profit and fund research into how to best support children with intellectual disabilities. The report highlighted a significant gap in support available during the transition from school to work.

Armed with this research, they created a round-table forum. Bringing together people with lived experience, consultants from not-for-profits, government agencies and reputable service providers, they worked together to identify the best course of action to take.

It was decided to focus on increasing the ability of employers to offer work to young people with intellectual disabilities. They went out to market for expressions of interest from organisations that could help them achieve this goal via grants. The panel of grant application reviewers included the Alroys and again, people with lived experience and industry service providers.

The Alroys invited four shortlisted applicants to undertake invaluable pitch training and then attend an event where they could use their new skills to pitch to the philanthropists in attendance.

The results were significant. Each of the four grant applicants received more funding than originally requested and the scale of change introduced by the Alroys was far greater than the act of simply donating money to a cause.

The experience of collaborating with the right people and sharing the opportunity with other philanthropists to maximise the impact of their work was a tremendously rewarding experience for the Alroys and brought each family member a great sense of fulfilment.

* Family name has been changed for privacy reasons

Conclusion

Wealthy families have a significant positive socio-economic impact on Australia, but lasting impact depends on those families prospering for generations. This is not guaranteed, however, and more intergenerational wealth transfers would succeed if families adopted a Family Office model that suits their needs.

The selection of an appropriate Family Office model can greatly assist a wealthy family to perpetuate the positive contribution they make to society. Choosing an appropriate Family Office model is not straight forward. It depends on factors including: the size and source of wealth; complexity of family affairs; existing family expertise or preferences; and the degree to which family members want to be involved in the management of their wealth. Wealthy families who are seeking intergenerational success should take these factors into consideration when choosing a Family Office.

A key advantage of a Multi-Family Office over other Family Office types is the depth and breadth of services that can be provided to Family Enterprises. In addition, Multi-Family Offices can work together with other Family Office models, in that they may provide services to, for example, a Single Family Office or a Business Family Office to supplement in-house expertise.

To further improve success over generations, wealthy families need a modern Family Office that not only manages and grows the family's financial capital over the long-term, but also focuses on other equally important multi-faceted family matters that ensure intergenerational success. This includes helping families to understand what matters most to them and how to use their wealth to achieve that purpose. However, this is not enough. Other factors for intergenerational success include supporting entrepreneurship, promoting family harmony and unity, facilitating the learning, education and fulfilment of each family member, and having a positive impact on the community.

To provoke self-assessment, there are five questions for wealthy families to answer:

1. Do you know what matters most to your family as a whole and to your individual family members?
2. Do you have a way to develop a Family Strategy that is collaborative and involves the best multi-faceted expertise?
3. Do you have an agreed, well-structured Family Strategy for achieving what matters most that will be successfully implemented during and beyond your lifetime?
4. Do you have a way for the family to implement and evolve the Family Strategy in line with changing circumstances and family capacity?
5. Do you know the best Family Office model now and over time for your family?

Despite the early-stage evolution of the Family Office sector in Australia, wealthy families can identify the success factors present in the modern Family Office and adopt these practices within varying Family Office models that suit them. This will ensure a more positive family experience and greater likelihood of successful intergenerational wealth transfer. Successful wealthy families can also challenge themselves and their advisors to develop these practices further to ensure that the positive socio-economic impact of their wealth in Australia continues to have a lasting impact.

Contributors to this report

PHIL HARKNESS | CEO & MANAGING PARTNER, MUTUAL TRUST

Phil is an experienced Senior Executive with over 30 years' experience working in professional services. In 2017, he joined Mutual Trust as the Chief Executive Officer.

Phil has provided advisory services to clients internationally across a wide range of industries including financial services, resources, utilities, manufacturers, numerous public sector and government organisations, retail, and telecommunications organisations.

Prior to Mutual Trust, Phil spent five years as a Partner with EY (Ernst & Young). Phil joined EY in 2012 to lead the Oceania Performance Improvement practice within the Advisory Service Line and to start the Strategy Consulting practice. Phil's responsibilities were expanded to include the Customer practice across Oceania and APAC and a global role as the leader of an important EY strategy offering – Purpose Lead Transformation. Phil was also the Diversity and Inclusion Leader for EY Advisory in Oceania.

Phil holds a Bachelor of Agricultural Science from LaTrobe University and a Master of Business Administration from the Melbourne Business School (Winner of the CRA Prize for top student in corporate strategy).

JEFF STEINER | PARTNER, HEAD OF FAMILY OFFICE, MUTUAL TRUST

Jeff helps high net worth families navigate the complex landscape of intergenerational wealth transfer amidst ever-changing economic cycles. His mission is to maximise success in preserving, growing and transferring the family's legacy in a harmonious and orderly way.

Jeff has spent more than 25 years in family advisory and Family Office management. He is a highly sought after and acknowledged global thought leader in this space. He partners with wealth owners and their families to plan and achieve their long-term goals across all aspects of their wealth, including their family, businesses, investments and philanthropy. Jeff has deep expertise in managing family dynamics and is passionate about family unity and aligning families values with their wealth.

Jeff currently serves as an independent chair and is a member of family Boards and not-for profit organisations. He holds a Bachelor of Commerce, is a Certified Practicing Accountant, a registered tax agent and a graduate of the Australian Institute of Company Directors.

BRAD SIMMONS | PARTNER, FAMILY OFFICE, MUTUAL TRUST

Brad is passionate about helping families meet the challenges of managing wealth across generations. Having worked within both a single Family Office and Australia's largest Multi-Family Office, Brad has a unique perspective on family wealth.

Drawing on his expertise in finance, corporate law, family governance and succession, Brad helps to integrate the affairs of families across a range of disciplines, including family strategy, investment management, tax accounting, philanthropy and trustee services.

After six years with Mutual Trust in Melbourne as a Partner in the Family Office team, Brad returned home to Adelaide in December 2018 to establish a South Australian office for the firm.

Brad holds a Bachelor of Laws, a Master of Applied Finance and Investment and a Diploma of Financial Planning. He has also completed a Family Business Directors Course with Family Business Australia and a Leadership Development Program with the Melbourne Business School.

TRACY CONLAN | PARTNER, HEAD OF STRATEGY, MUTUAL TRUST

Tracy is responsible for developing and assisting the business to implement long-term business strategies. In her role, she expedites implementation in the business via strategic advice, new venture investments and other corporate development programs, including corporate transformation.

Tracy joined Mutual Trust in 2018 and is an experienced banker, strategy consultant and general manager. She spent her formative years at McKinsey where her functional specialty was strategy and her industry focus was financial services. Tracy is an experienced strategy and financial services professional with more than 20 years in consulting and industry. Tracy has broad financial services experience ranging from EGM roles in corporate strategy, brand and marketing for the CBA, to projects with other large Australian banks, several regionals, credit unions, wealth and payments organisations. She has also undertaken consulting projects in Australia, London, Stockholm and Brussels while working at McKinsey, EY and Deloitte.

Tracy holds an MBA from London Business School, a Post Graduate Diploma in Finance and Administration from the Securities Institute of Australia, and a Bachelor of Economics (Hons 1st) from the University of Sydney.

ELIZABETH GOLDFINCH | DIRECTOR, FAMILY OFFICE, MUTUAL TRUST

Elizabeth (Lizzy) has worked with significant families and family businesses, both nationally and internationally over the past decade, to decode what matters or is most important to them. She is driven to help families and their emerging generations address both the opportunities as well as the challenges of wealth.

Prior to joining Mutual Trust, Lizzy worked in the Private Wealth Management team at the Myer Family Company where she managed the investment portfolios of successful multi-generational families and not-for-profit organisations. Prior to that, Lizzy was responsible for the delivery of wealth management and family continuity services to Queensland-based families who hold substantial property and business assets.

Lizzy holds a Bachelor of Commerce & Bachelor of Economics (Dean's Honour Role) from the University of Queensland, a Graduate Diploma in Financial Planning from Kaplan and is a Graduate of the Australian Institute of Company Directors.

LYNDIE VAN ORSOUW | MANAGER, FAMILY OFFICE, MUTUAL TRUST

Lyndie has in excess of 20 years' experience in accounting and bookkeeping and specialises in developing finance solutions for Family Offices and family businesses.

With a wealth of knowledge around accounting software, financial reporting, and business management, Lyndie is able to work closely with advisors across multiple disciplines including wealth management, tax accounting and property management. Using platforms such as Xero and Praemium, she expertly tailors quality record keeping and invoice management systems. This ensures that clients have robust financial management and valuable real-time reporting.

Lyndie holds a Master of Business Administration (Finance), a Bachelor of Accounting, a Bachelor of Arts (Legal Studies), and is currently commencing a PhD with The University of Adelaide. She is a Certified Practicing Accountant (CPA), and a Graduate of the Australian Institute of Company Directors, and has also completed a management certification with Harvard Business School.

DR CHRIS GRAVES | ASSOCIATE PROFESSOR, UNIVERSITY OF ADELAIDE

Associate Professor Chris Graves is a Chartered Accountant, and director of the Family Business Education and Research Group [FBERG] at the University of Adelaide Business School. Chris has a Bachelor degree in Accountancy from the former South Australian Institute of Technology, a Master degree in Economics from the University of New England, and a PhD from the University of Adelaide. Chris has been serving as an external member of the University Council's 'Audit, Compliance and Risk' sub-committee since 2014.

Since joining the University of Adelaide in 2007, Chris has spent considerable time educating managers and owners of privately-owned firms. Each year, he is actively involved in improving the financial literacy of owners and managers through the University's Executive Education and Masters of Business Administration programs. In 2015, in conjunction with Family Business Australia and the Government of South Australia, he introduced the NextGen eChallenge educational program to assist in the development of the next generation of entrepreneurial leaders in family-controlled enterprises. In 2015, he developed an owner leadership development program ('Catalyst') in conjunction with the Government of South Australia, industry associations and business owners.

With regard to research, Chris publishes in top international journals such as Family Business Review on issues surrounding the management and performance of family-controlled SMEs. In 2006, he graduated with a PhD which investigated factors that limit the ability of family-owned SMEs to grow internationally, as well as the manner in which those obstacles can be overcome. His PhD research received an international award from the Family Firm Institute (FFI), based in the USA. In 2013, 2015, and 2017 he undertook the KPMG-Family Business Australia 'National Family Business Survey' and was an academic advisor for KPMG International's study investigating the role of private equity financing in family-controlled enterprises around the world. He completed a four year term on the board of the International Family Enterprise Research Academy (ifera.org), the leading global network of family business scholars.

As part of his specialisation in family business, Chris completed a Graduate Diploma in Family Therapy and Systemic Practice.

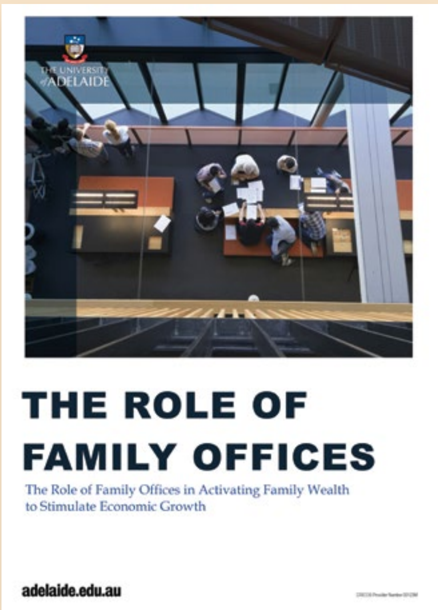
About University of Adelaide Business School

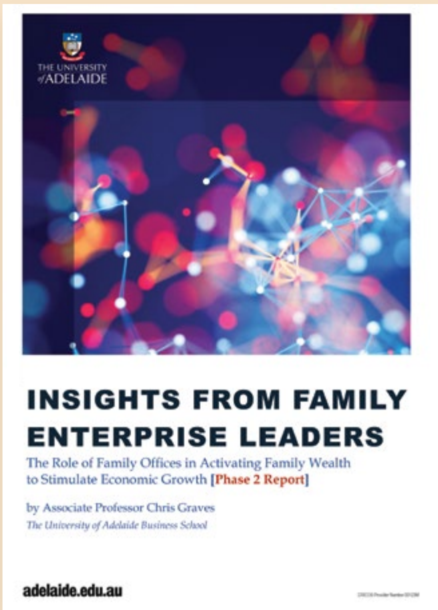
The University of Adelaide has a proud history of delivering world-class courses in business as the first institution in Australia to offer business education in 1902. The University of Adelaide is consistently ranked in the top one percent of the world's universities and is recognised globally as a leading research university.

The Adelaide Business School is an integral part of the University of Adelaide providing a world-class hub of excellence in business education and research. Through its research, teaching and engagement activities, the Adelaide Business School assists current and future leaders to create, transform and lead sustainable innovative enterprises that contribute to the development of a better society.

In recognition of the significance and uniqueness of Family Enterprises around the world, the Adelaide Business School established the Family Business Education and Research Group (FBERG) in 2011. Under the leadership of Associate Professor Chris Graves, FBERG's activities have led to the Adelaide Business School being recognised as one of the top 25 global business schools for family business education and research.

The research referred to in this report comprises two primary research reports authored by Associate Professor, Dr. Chris Graves, from the University of Adelaide. Copies of these reports are available on the University of Adelaide's website **business.adelaide.edu.au/research/fberg**





About Mutual Trust

Mutual Trust provides integrated wealth services to Australia's most successful families, family businesses, trustees, not-for-profits and individuals. We build purposeful, long-term relationships with our clients to help preserve and grow their wealth for future generations and their communities.

Building and sustaining significant family wealth and values does not just happen. It takes careful planning and deep engagement across generations. We work with our clients to establish a clear shared vision for the purpose of their wealth. With this focus and alignment, we help them create and execute a family strategy to achieve their Purpose of Wealth for generations to come.

Initially founded in 1921 by W.L. Baillieu and his four brothers as a vehicle to provide accounting and trustee services for the Baillieu family, we have grown and evolved over the years to meet the needs of a changing world. In 2017, following the union of Mutual Trust and The Myer Family Company Limited, Australia's largest Multi-Family Office was formed.

Today, Mutual Trust has over 220 employees and four offices nationally and is the trusted partner to many of Australia's wealthiest families and individuals.

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Providing all the services required to protect and grow wealth, under one roof

Family Office Consulting	Family Consulting & Succession Planning	Family Business Consulting	Rising Gen Program
Family Council & Governance	Family Dynamics	Philanthropy	Trustee Services
Indigenous Trustee Services	Agribusiness	Property Services	Tax & Accounting Compliance
Tax, Accounting, Consulting & Superannuation	Bookkeeping & Concierge Services	Custody & Administration	Portfolio Management
Investment Advisory & Research	Responsible Investment	Strategic Human Resources Consulting	

References

[i] Note: according to the Productivity Commission report, in 2018, $120 billion was transferred. Based on an annual growth rate 4.76% in transfers from 2002 to 2018 (due to annual growth in wealth), from 2023 to 2040 it can be anticipated that over $4 trillion will be transferred.

[ii] Williams & Preisser (2010), *Preparing Heirs: Five Steps to a Successful transition of Family Wealth and Values*, Robert D. Reed Publishers, San Francisco, pp. 35–49.

[iii] Williams & Preisser (2010), *Preparing Heirs: Five Steps to a Successful transition of Family Wealth and Values*, Robert D. Reed Publishers, San Francisco, pp. 35–49.

[iv] Williams & Preisser (2010), *Preparing Heirs: Five Steps to a Successful transition of Family Wealth and Values*, Robert D. Reed Publishers, San Francisco, pp. 35–49.

[v] Williams & Preisser (2010), *Preparing Heirs: Five Steps to a Successful transition of Family Wealth and Values*, Robert D. Reed Publishers, San Francisco, pp. 35–49.

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