

The Family Office: Just What You Always Wanted



Dear Reader

The “Family Office” is commonly thought to be the invention of the American financial aristocracy. Dynasties such as the Vanderbilts or the Rockefellers early on had their family fortunes managed by portfolio managers who worked closely with experts in other fields, in particular legal and tax consultants.

Last year several Swiss banks and the independent wealth management company KPMG *private* also started using the term. Several financial institutions have since established their own Family Office departments; others use the term to describe general services to wealthy clients with complex problems and wealth structures; still others stress the fact that comprehensive consultation of private clients has always been their core business – with or without the Family Office label.

Combining Family and Office

At first glance the term Family Office may seem odd, conjuring up images of day care centers rather than financial planning and wealth management services. The term nevertheless describes exactly what is involved: the combination of private matters (the family) with business matters (the office).

But the term Family Office is also well chosen for another reason: Unlike financial planning or portfolio management, a Family Office does not

imply short- or medium-term portfolio optimization; on the contrary: it stands for a long-term approach in taking care of a family’s total fortune, involving every aspect that could have an effect on the family’s future prosperity. This approach includes, among other factors, strategic investment consulting, legal and tax consulting, fiduciary services and insurance consulting.

What are the key industry trends today? Most of all, the environment is becoming more and more complex for wealthy families. They no longer live together in their castle. The modern family lives and works and owns assets in a great number of different jurisdictions. At the same time the legal and fiscal environment, insurance questions and, of course, the financial markets are constantly growing more complicated. The increasing mobility entails an internationalization of personal and business circumstances, multi-jurisdictional situations, multiple nationalities and properties in different locations around the world. Looking at these trends, four aspects are particularly significant: globalization, specialization, integration and independence.

Globalization

Whatever products and services are provided to a wealthy family, speed more and more becomes a crucial success factor. The decision-making process is becoming faster and faster; consequently all the work – in particular regarding tax and legal issues – has to be done quicker. Speed means availability of experts when and wherever a problem has to be resolved. We therefore talk about problem-solving in a global environment requiring an international, if not global, institutionalized network or even networks. At the same time, size matters! Superior quality always involves a substantial number of experts in each specific field.

Specialization

To find solutions and not only wonderful analyses, specialization is essential.

We absolutely need specialized know-how. This specialization is particularly important in light of the multitude and sophistication of new financial products and the increasingly rapid changes in the ever more complex regulatory environment.

Integration

Another very important success factor which becomes more decisive each day is the integration of the various services offered to wealthy families. On the one hand, we need top-class experts, on the other hand, however, only an interdisciplinary approach promises tangible results. Therefore integration across disciplines and specializations, across borders – and even across service providers – has become more important than ever.

Independence

Family Office clients should not have to worry about potential conflicts of interest. If you offer asset management to a family, it is quite delicate to offer comprehensive Family Office services to the same family at the same time. This may pose a problem to certain banks with affiliated Family Offices.

In contrast to other financial institutions that offer financial planning and wealth management services, KPMG *private* intentionally does not offer asset management. With this concept of comprehensive, individual – and above all independent – financial planning and wealth management services with a worldwide network of specialized consultants, KPMG *private* offers wealthy individuals and families answers to the Family Office challenges of today and tomorrow.

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