

The International Family Offices Journal

Editor: Barbara R Hauser

Editorial

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Richard Narva, Freya Griffiths and Anthea Boehmke

Dangers of social media

Charlie Bain

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Dennis T Jaffe

News section

Selection from STEP News Digests

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Welcome to the December 2019 issue of The International Family Offices Journal

Barbara R Hauser, Editor-in-Chief

Again, continuing thanks for all the positive feedback on our Journal. Remember this is for the entire family office community – we solicit contributions and comments! As the word is spreading we enjoy receiving offers to write for us. We are already starting to fill the March 2020 issue.

The focus of the Journal

We feature articles from leading experts in the field, on a range of topics including the variety of family office models and structures, governance, investment approaches, succession planning, charity projects, family communication and consensus, and next-generation issues among others. A key feature of the Journal is its international approach. We value our independence and our commitment to offering content without any conflicts of interest.

In addition to heavyweight substantive articles, we regularly feature in-depth country reports, profiles of family offices, interviews with industry leaders, a luxury corner, technology tips, book or film reviews, relevant news alerts from the Society of Trust and Estate Practitioners (STEP), and reflections by those who have grown up with wealth and what it has meant to them or their clients.

In this issue we are proud to include a fascinating variety of in-depth articles. We hope you enjoy them!

Single family office executive coaching: challenges and solutions

We lead with an intriguing article on executive coaching for family office executives by Richard Narva, Boston, USA, and Freya Griffiths and Anthea Boehmke, both from South Africa, where the three of them developed this special approach.

As they note at the beginning of their detailed article, single family offices by their very nature are “complex, private and closed environments”. As an executive – whether a member of the founding family or a non-family professional – one is inserted into the family dynamics of the founding family, but at the same time expected to run the SFO as a business. Other family office executives will quickly see whether someone really does understand their unique and complex role.

Dangers of social media

Charlie Bain, London, who has previously written on this subject for the Journal, brings us an update on the ever-increasing dangers of social media, and stresses the importance of being prepared in case there’s a posting or a leak that could damage the family’s reputation. The use of social media by all types of parties continues to increase rapidly, as his many examples show.

He advises:

One of the first steps is knowing what’s out there about you. A reputational crisis happens quickly and a bit like a fire, spreads if you haven’t prepared properly and know what to do. So knowing in intimate detail all about your digital footprint ahead of that crisis is hugely important and allows you to respond more confidently and with great speed. You should know your digital profile as well as you know yourself or your business.

High-wire act: exercising fiduciary discretion in an uncertain and increasingly litigious world

Families with trusts understand the challenges facing trustees when beneficiaries request certain distributions. Daniel FitzPatrick, New York, who has extensive experience at many levels of trust management, including at the highest global level, explains the inner workings of trustee management of discretionary distributions.

He gives three detailed case studies of what can go wrong for personal trustees. He also includes a list of support materials and helpful references.

Mommy, are we rich? – millennials and money

The authors of the book “*Mommy, are we rich?*”: *Talking to children about family money*, Suzy Peterfreund, Florida, USA, and Barbara Hauser, Minnesota, USA, have looked at the advice they gave to parents of five-year-olds some 18 years ago. Those children are now millennials. The authors interviewed a number of them for this article. Their findings include:

Our millennials already have access to a wealth of information, some say it is an overload. They live in complex social networks enabled by the ubiquitous iPhones. They ask questions of each other and lean on

reviews from friends. So they are not asking parents as many money questions. But they do have thoughts and worries about money.

They include three of their original chapters and add the new learnings about millennials at the end of each one.

Swiss Fintech licence or ‘banking licence light’ – boosting the innovation

Tatyana Davidoff, Zurich, presents a detailed explanation of the new Swiss Fintech licence requirements. Beginning in 2019 this licence, granted by the Swiss Financial Markets Supervisory Authority (FINMA) allows its holders to accept public deposits of up to CHF 100 million, provided that these are not invested and no interest is paid on them.

This Swiss licence is the most modern and flexible Fintech licence, dubbed ‘banking licence light’, and family offices should find it very attractive.

Getting your house in order

Shaun Parkin, Australia, points out that some of the more mundane details in running a family office are often overlooked – but should not be. Money can be saved by attention to these details.

He looks at the benefits of a dive into those aspects of running a single or multi-family office that are often overlooked. He lists specific areas that can lead to improvement and often also result in savings:

- costs – where they can sneak up and where to look for immediate reduction
- implementation – where are the costs and inefficiencies?
- operations – a chance to review and optimise without affecting trusted relationships
- technology – ‘feature creep’ and the scourge of over-complication
- where next and how to keep on top of new trends.

Culture, communication and conflict

Ian Marsh, London, has developed a special expertise working with families during a fascinating career. He is convinced that “the biggest threat to a family’s capital (be it financial, human, intellectual, social or spiritual) is a breakdown of trust and communication within the family”. He offers a number of practical suggestions for families.

A personal story: My path to family philanthropy or how I fell in love with good governance

Marci Sternheim, greater New York, follows her path from modest beginnings to family foundation executive leadership and as a trusted adviser to boards of trustees.

On Wealth

Tim Volk, Chicago, a family member and family office adviser, has created a new network of LGBTQ wealth-holders – “The Metropolitan Forum”. He had a sense that the LGBTQ community had gaps in the investment and financial services they receive. He convened a group which had its first meeting in Chicago. We are pleased to include his report, and are glad to spread the word to those who might want to be in the Forum network.

He notes:

In the near future, the Met Forum will continue to leverage our collective knowledge and experiences, providing peer-to-peer thought leadership and examining who else should join this broader conversation. Further, we need to research whether financial advisers understand that the LGBTQ community has unique needs and whether the advisers understand that reality and in turn are willing to help us.

Luxury Corner – Adventure to the South

Readers who remember the feature by White Desert, a luxury service offering tailored trips to Antarctica, may be surprised to see their new offering – a trip combining Antarctica with an African safari!

The interview in this issue explains the new concept:

Africa is the home to the ‘big five’ luxury safari experience, so we wanted to create a ‘big six’ trip where guests could see the best of African game as well as the best of Antarctic wildlife, the emperor penguin, in one combined experience. It is the global first safari to combine the best of Africa with the best of Antarctica, and we have called it “Adventure to the South”.

They may soon have even more creative additions – watch this space!

Book Review – *The Woes of the Rich* by Philippe Weil (Tel Aviv) reviewed by Rebecca Meyer (USA)

This very special book reflects the wisdom and compassion of Philippe Weil, a former banker and now a *de facto* family office adviser to complex families. The book is filled with family examples and helpful advice. Available in Hebrew and English.

And a breaking news preview of *Borrowed from your Grandchildren: The Evolution of 100-Year Family Enterprises*, by Dennis Jaffe, USA

STEP news alerts – as always we are grateful to STEP for its outstanding professional work in keeping us up to date on all the news from around the world that affects those working in the family office market.

We hope you enjoy this issue!

Barbara Hauser

On Wealth

LGBTQ families need tailored investment and financial services

Timothy J Volk

Editor's Note: We are pleased to present a report on the new Metropolitan Forum, a place for LGBTQ wealth-owners to discuss their needs.

Why do LGBTQ clients need focused services?

Many LGBTQ (Lesbian, Gay, Bisexual, Transgendered, Queer) leaders understandably applauded recent gains in their communities' civil and legal rights, but another area of LGBTQ need remains unmet: long-term financial planning both for individuals and their families. While most members of these communities have experienced discrimination at some time in their lives, Baby Boomers and Gen-Xers in particular suffered because anti-gay rhetoric and attitudes were especially strong in the past, warping both family and business relationships. As a result, these people also faced additional challenges in planning a stable financial future for themselves, their spouses and life partners, their families and their businesses.

In recent years, I began a concerted effort to fill this gap, exploring how traditional financial planning and wealth management failed to reach out to, or even acknowledge, the LGBTQ population. I further gathered information on what services this market segment most needed.

This summer in Chicago, I convened the inaugural

meeting of the Metropolitan Forum with other leaders in the wealth management profession, emphasizing the establishment in family offices. Although our group is still gathering additional data, our discussion generated insight into the need for LGBTQ-specific financial advisory, along with some remaining barriers to the work. Let me share part of our conversation with you.

The gathering was the first time (that we can document) that a group of LGBTQ wealth creators and inheritors met to share their stories and experiences about money and family. Our intention remains to create a peer-to-peer thought leadership forum of LGBTQ wealth holders in a safe space. Our first purpose was to determine whether there is a benefit in meeting to share stories about our own experiences and to identify common themes.

The attendees also shared their notes with other peers who expressed interest in the Metropolitan Forum's work but could not attend the meeting. We have since surveyed their thoughts and soon plan to share the group's overall findings, with the information then helping us better formulate our purpose and objectives.

I have spent much time over the past few years researching and exploring the high net worth of the LGBTQ world. My interest is partly personal: I'm openly gay, but I've seen many professionals – even in the financial industry – who have never told their clients or their families about their orientation, leading to grief, stress and eroded self-confidence. I'm also from a family who runs a four-generation-long family enterprise, but some conservative kin who at one time had trouble accepting me and my partner as we truly are, created discomfort both at the office and in our personal interactions. Meanwhile, I gained considerable expertise in helping families and high-net-worth (HNW) individuals in managing their resources and preserving them for future generations, both from my time as an executive inside large financial institutions and from my own advisory practice. So, I know the difficulties that LGBTQ people face and I know financial services.

What is missing, I learned, is a better understanding of how to meet the specific needs of LGBTQ HNW individuals – and in particular, of older

We are gathering information to help solve global issues within our community, but perhaps by finding our commonality and comfort within we can better help those around us.

LGBTQ people. Unfortunately, there is little quantitative data available to help this clientele. So, I started the Metropolitan Forum.

Our group, comprised of mostly Baby Boomers, Gen-Xers and Millennials, provides an interesting and distinct insight as to how the older generations experienced being gay in a world that did not welcome them in comparison to today's far more open society.

Our group includes several members who are professional advisers in addition to being wealth holders. Each of them talked about a rapidly evolving world where LGBTQ people are being more accepted and yet continue to be treated differently from our straight peers.

While our younger members experience a more open and accepting environment, both personally and professionally, they hesitated to say when, or even whether, they would tell family members they are LGBTQ. They especially debated whether they would share that information if either their clients or they themselves are over age 45 – a telling discussion, since most wealth creators are middle-age or older, as are many advisers to HNW individuals.

Regional differences also quickly emerged, as members agreed that the HNW LGBTQ community is far more open and accepted in progressive cities such as Chicago, New York and Boston. But in other parts of the country, such as smaller cities or rural areas, both wealth holders and financial advisers are more likely to keep their orientation private.

Still, each member shared stories highlighting experiences where they were treated differently because of their orientation. This point deserves emphasis: while society in general may be more accepting of LGBTQ people, all Metropolitan Forum members said they had been treated differently or experienced discrimination at some point in their lives. For families, there are many variations. Interestingly, one of the attendees pointed out that within the Jewish community, even if your parents didn't like or approve of you being gay, you still were always welcome in the family home.

From my experience in the wealth management business, I have observed that having money seems to exacerbate the underlying issues. Some previous writings on the issue show that LGBTQ people are more willing to discuss their sexuality with family than they are to talk about money issues – including what to do if they have high net worth. Perhaps our Metropolitan Forum group can help ease this angst among our members.

Most Metropolitan Forum members agreed that the LGBTQ community is being integrated into straight society, now more so than ever. As many younger gay people now have children, they will experience similar needs and desires as their straight counterparts. Yet, a significant portion of the homeless youth – and youth (teenage) suicides – are LGBTQ and an increasing number of our LGBTQ aging population are being abused and discriminated against as they enter retirement communities. These facts all indicate that LGBTQ people have not been fully accepted and integrated into 'straight' society.

We are gathering information to help solve global issues within our community, but perhaps by finding our commonality and comfort within we can better help those around us.

In the near future, the Metropolitan Forum will continue to leverage our collective knowledge and experiences, providing peer-to-peer thought leadership and examining who else should join this broader conversation. Further, we need to research whether financial advisers understand that the LGBTQ community has unique needs and whether the advisers understand that reality and, in turn, are willing to help us.

Meanwhile, we will continue to reach out, inform and create dialogue with our community. This process, and the information that it generates, will help family members, family offices and their financial advisers better understand the gaps and needs, so we can then develop new resources and discover new ways in how advisers speak to and assist their clients.

Tim Volk hails from an entrepreneurial family, is a unique professional with an exceptional network, great inter-personal skills, and a deep appreciation of the issues surrounding wealth. He is an experienced business executive, a seasoned board member with a strong financial background and lives with his partner (recently husband) of 29 years in Chicago.



Coming next:

- Parallels between family businesses and family philanthropies
- A family contract for digital devices
- The vital role of judgment in a family office

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