

Introduction

FAMILY OFFICES TRADITIONALLY have been repositories of great wealth, and their activities are conducted behind closed doors and shrouded in secrecy. Many families would prefer to keep it that way. Yet as a group, family offices have acquired a dramatically higher public profile over the last decade or so. The Dodd-Frank financial reform legislation of 2010 threatened them with regulation if they served any nonfamily investment clients, and later offered them an exemption if they didn't. It was one of the first times that family offices faced the prospect of being in the regulatory hot seat. Subsequently, several high-profile hedge fund managers jettisoned their nonfamily clients and converted their operations to family offices, thereby escaping regulation through that same safe harbor. The result was a sustained burst of attention to the family office world in the news media that continues to this day.

Equally significant in terms of raising their profile has been the emergence of family offices as major players in the financing of private companies. After the financial crisis of 2008, some notable family offices reduced their exposure to public securities markets and private equity funds, turning increasingly to direct equity investments in private businesses. The participation by family offices in high-profile deals helps them attract more investment opportunities, but it also brings with it a whole new level of attention, allure, and scrutiny from the media. Thus, over time, the public has been getting a bigger and bigger look at the private world of family offices.

And what is to be seen there? Vast wealth, to be sure, but also the vast challenge of managing this wealth and preserving it for future

generations of the family. Power struggles among relatives and lack of family cohesion are as perilous to the health of a family office as overzealous spending by family members or investment losses. Keeping things right among family members helps to enable the peaceful transition of control of the family office from one generation to the next, which is essential for continued sustainability. That's the long-term challenge.

The more immediate challenge is the subject of this book: understanding family offices, why families create them, what they do, and how to manage them effectively. It is a formidable undertaking when one considers the complexity and personal dynamics that come into play when advising and supporting wealthy families.¹

The Family Office is a first-of-its-kind combination academic textbook and comprehensive practitioner's reference manual. It provides an insider's view of family offices to those looking to understand them, whether they be graduate students, family principals, current practitioners, or advisers/vendors. The book presents these insights through a series of **problem-based learning (PBL) cases** across multiple topics designed to provide readers with a foundation of knowledge about family offices, insights into the services they provide, and the practical application of family office management principles. The cases follow a single family's journey from the time of a significant liquidity event; through the creation, staffing, and management of their family office; and on to its succession. Each case study is supported by **detailed reference material** that can be accessed separately. Through this methodology, readers get a practitioner's view of issues that wealthy families face and the solutions they adopt to address them **throughout a family office's life cycle**.

The book is aimed at three primary audiences:

- **Academics and university students**, who can use the learning cases format to better understand why wealthy families create family offices, their various constructs, the services they provide, and how they should be managed and governed
- **Family office principals and professionals**, who can use the detailed reference material provided here across multiple service, advisory, and managerial areas to obtain guidance in one or more discrete areas of interest

- **Service providers and vendors**, who can use the case studies and background information provided here to understand family offices, including their issues and needs, in order to better provide services and advice to their clients and customers

The book is organized into four separate sections arranged by the major components required to start and run a family office. **Section One** focuses on the issues around the formation of a family office, including the different types, the services they provide, their design, and how they are staffed. **Section Two** provides an overview of the key services that family offices provide, including how best to deliver them. **Section Three** discusses governance structures and provides overarching managerial insights. **Section Four** provides important industry data on family offices, as well as a link to access additional educational and industry resources.

Each of the first three sections of the book contains multiple individual chapters that provide insights into and context on the major concepts for family offices. These are introduced through problem-based learning cases and detailed background reference material.

Each chapter is broken into four sections:

- A **case study** that presents topic-specific challenges faced by a family office in a realistic setting, with background information that the reader can use to uncover and solve the specific issues raised
- Extensive **reference material** in each of the topic areas to provide readers with both an understanding of the issues pertinent to the case and technical resources for those looking for advice in a particular area

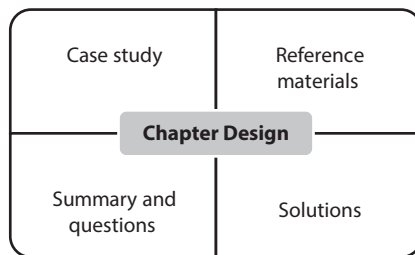


Figure Int.1 Chapter design

- A **case summary and set of questions** designed to analyze the critical components and examine potential future considerations of the case
- **Detailed solutions** to the questions that reveal best practices and informed insights focusing on how to assess, unravel, and address issues raised in each of the cases

For students and academics looking to learn about family offices, the reasons they are created, and the various services they provide, the book is an **educational textbook**. The case studies are an established and effective way to introduce the subject and educate by providing context on real-life challenges that wealthy families face, including when and how they are resolved.

For principals, practitioners, and family members, the book provides **technical reference material** across the myriad of service and advisory needs of a wealthy family. This background information can be accessed directly without having to review the case studies, questions, and answers, including by consulting the glossary and index in the book.

For advisers and vendors to family offices, the book offers deep insights into the numerous service and advisory needs of wealthy families. As such, it gives important **intelligence on customer needs, preferences, and behaviors**.

So long as families have had significant wealth, there have been established approaches and practices that can serve as a guide. These are found by understanding the issues that significant wealth creates, knowing how other families have addressed them, and learning from professionals and organizations that work with similar families.

This book provides a summary of the solutions that apply to the formation, services, and governance of family offices. It also helps readers understand how family offices are similar and different. Understanding these nuances is as important as knowing what to do, when, and with whom.

The Family Office

