
Multi-Family Offices Hit Back At Pretenders

By Andrew Willmott

Many firms that style themselves as multi-family offices are not living up to that promise, claim critics. The plethora of new entrants in the ultra-wealthy market are confusing clients and detracting from the value of genuine multi-family offices.

More than 50 organizations claim to offer interdisciplinary wealth advisory services through a multi-family office model, according to consultant **Family Office Exchange**. About a third of those have formed in the last three years. Many are misusing the multi-family office label, argues **Mark Jarasek** of Family Office Exchange. That's making it tougher for the originals to differentiate themselves, he points out.

True multi-family offices offer the entire range of services, including the less glamorous likes of bill-paying and record-keeping, according to industry veterans. Integration is at the heart of a multi-family office's services. "Family offices need to offer the entire wealth management spectrum, including tax planning, bill paying, insurance, liquidity management, compliance, governance, and more," says **Anne Russell**. She is head of business development at **Rockefeller & Co.** "A true family office can also consolidate reporting, so it can tell a client what they're worth today and what the tax implications are."

Everyone wants to do the investment piece of the puzzle, says **John Bailey**. He is CEO of multi-family office **Spruce Private Investors** in Darien, Conn. "I don't see how you can separate tax issues, wealth education, estate planning or governance. That's part and parcel of every single decision we make," he continues. "The vast majority of firms we interview on behalf of clients have major misunderstandings of the ultra-wealthy market."

"As an industry, we need to define ourselves better," says **Patricia Soldano** of multi-family office **Cymric Family Office Services**. "Everyone is all over the map with the services they provide, the fees they charge and explaining what they do." Many firms are just changing how they label themselves and missing the point, Soldano argues.

"The sudden popularity of the multi-client family office concerns me greatly," says Spruce's Bailey. "The vast majority are mediocre and expensive. Firms are embracing it for the wrong reasons. The motivation for many new entrants is to offset costs or create a new marketing channel."

At the end of the day, the overuse of the multi-family office label is bad for the end investor. "Clients are confused," states Cymric's Soldano. "They go to one firm calling themselves a multi-family office, and they come to us and there's a huge distinction," she says. She identifies more than 20 functions carried out by a true multi-family office. "It's personal touch in low-margin personal services that many don't want to provide. The value in a multi-family office is all of these and the

coordination of the various disciplines.”

Large institutions have recognized that the multi-family office is the model of choice for delivery of wealth management services, says Jarasek of Family Office Exchange. Four of the eight most experienced multi-family offices have changed hands in the last 18 months. That includes **Amvescap**’s acquisition of **Pell Rudman, Credit Suisse**’s pick-up of **Frye-Louis Capital Management**, **SunTrust Bank**’s purchase of **Asset Management Advisors**, and **GF Capital Management**’s acquisition of **TAG Associates**.

Genuine multi-family offices are trying to address the problem of differentiation. “They’re seeing the competition grow and want to get the correct idea out there of what a multi-family office really is,” Jarasek notes.

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