The Family Office Report has been downloaded over 83,000 times globally, making it the #1 most popular book or publication ever written on the industry. Version 7 of the report now contains excerpts from the bestselling book by Richard C. Wilson called: The Single Family Office: Creating, Operating, & Managing Investments of a Single Family Office.
The Family Office Report Version 8.0

“The secret of success lies not in doing your own work, but in recognizing the right man to do it.”
—Andrew Carnegie (second-richest man to have ever lived)

The family office has often been misunderstood, even though the concept has been around (in a variety of forms) for hundreds of years. Still today, as the industry controls over a trillion dollars in assets under management, there are many intelligent, experienced finance professionals who cannot offer a complete definition of what a family office is exactly. That is one of the reasons that we at the Family Office Club have created this Family Office Report: to educate those in the family office industry and to provide information to those who want to learn more about our industry.

Version 8.0 of the Family Office Report covers:

1. Family Office Fundamentals (Page 3)
2. How to Start a Family Office (Page 10)
3. Billionaire Family Offices (Page 16)
4. Family Office Benchmark Statistics (Page 30)
5. Working with Us: (Page 33)
6. Charter Membership in the Family Office Club Association (Page 34)
7. 30 Family Office Job Listings (Page 36)
8. Family Crest History (Page 39)

This book includes insights from family office experts around the world and is written by Richard C. Wilson, who has years of experience in the family office and alternative investment industries and manages the Family Office Club, the largest family office association in the world, with over 103,000 members. If you would like to join the association as a Charter Member or learn more about the Family Office Club, please visit our website FamilyOffices.com. We have drawn on the experience and knowledge of the family offices we speak with on a daily basis, interviews completed for The Single Family Office Book, as well as our team’s first-hand knowledge of the family office industry, in order to complete this report.
1) Family Office Fundamentals:

Today, the family office industry is expanding at an impressive pace, with new family offices opening every month and assets continuing to grow every year. The family office wealth management industry is larger and growing faster than ever before. Family offices are thriving and the ways that ultra-high net worth families shape our economy and communities is evidenced all around us by their operation of franchises, apartment buildings, operating businesses, and capital infusions. Family offices are an important source of capital for small and medium sized businesses and investments which fuel much of the global economy, an especially important factor giving the risk of economic slowdowns all around the world. Family offices provide much-needed capital to businesses and investment funds.

At last estimate, there are more than 6,000 family offices in the U.S. with another 5,000 in Europe and 1,000’s more in Asia, Latin America and other areas of the world. Almost every week, we are approached by individuals and firms looking to establish a multi-family office or launch a single family office. This is especially true in areas of the world where wealthy families and individuals previously had little-to-no access to family office wealth management firms. In places like Singapore, Hong Kong and Brazil, investment professionals are seeing the increase in wealth and wondering how to best serve those wealthy families and they are settling on a logical solution: the family office.

Family offices are also much more visible in the public’s eye as of late. With high-profile celebrities, successful business professionals and other people of note turning to the family office model for their wealth management, the family office is becoming more and more well-known to even non-investment and financial professionals. Celebrities like Oprah Winfrey, business executives like Donald Trump, and entrepreneurs such as Paul Allen, all choosing to launch a family office to manage their wealth, it’s no wonder we’ve seen such a huge increase in global family office assets under management and a higher demand for family office-like solutions around the world.

It’s reasonable to assume that this demand will continue as more and more investors and wealthy families come to expect more from their wealth management advisors and want to have a more all-encompassing solution for their day-to-day needs such as tax and compliance work and portfolio management. Many financial and wealth management professionals have noticed this trend too, and chosen to step off the beaten path of typical banking solutions and chosen to launch multi-family offices and single family offices in order to better serve their clients and better align their interests with that of their clients. The more we speak with single and multi-family office executives and ultra-high-net worth clients, the more excited we are for the possibilities and opportunities that lie ahead for this burgeoning industry. Reading this Family Office Report is the first step toward understanding an industry that has long gone misunderstood and underestimated, and you will be one step ahead of those who are just now starting to see the family office industry.
What is a Family Office?

So, now that you understand how important family offices are to business, investment funds and the world at large, you may be asking, what is a family office? A family office is 360 degree financial and wealth management firm and personal CFO for the ultra-affluent, often providing investment, charitable giving, budgeting, insurance, taxation, and multi-generational guidance to an individual or family. The most direct way of understanding the purpose of a family office is to think of a very robust and comprehensive wealth management solution which looks at every financial aspect of an ultra-wealthy person’s or family’s life.

A Single Family Office is a full balance sheet 360 degree ultra-affluent wealth management firm and CFO solution for a single individual or family.

Free Video: “What Is a Family Office?” at FamilyOffices.com/Video3

The SEC has recently defined single family offices as “entities established by wealthy families to manage their wealth, plan for their families’ financial future, and provide other services to family members. Single family offices generally serve families with at least $100 million or more of investable assets. Industry observers have estimated that there are 2,500 to 3,000 single family offices managing more than $1.2 trillion in assets.”

You may be more familiar with the multi-family office (sometimes abbreviated as MFO) which has gained a lot of attention in the wealth management world as more and more traditional wealth management firms and private banks convert into a multi-family office. A multi-family office is a full balance sheet 360 degree ultra-affluent wealth management and CFO solution for multiple individuals and families.

Traditional wealth management firms advise on your investments and sometimes they can help you make insurance related or budgeting related decisions. Most wealth management firms are not specialists in taxation or charitable giving, or even multi-generational wealth management. Family offices can provide all of these solutions and more under one house so that several diverse experts can speak with each other and create a cohesive plan for preserving and/or growing the wealth of the ultra-high net worth client.

In both the single and multi-family office, what is really being offered is a full balance sheet financial management solution to ultra-high net worth individuals and families. It is hard to nail down a single template for a family office as every family office is a reflection of its clients’ needs and desires.
So, while one family office client might require an accountant to deal with complex financial transactions, business operations and global tax compliance; another, may simply want to supplement his or her current accounting system with advice on certain laws or issues, but otherwise has little use for a family office accounting solution. Another family office client may want to hire a family office that specializes in selecting and investing in alternative fund managers and portfolio management services; while another family office client prefers more traditional investments such as bonds, stocks and mutual funds. A multi-family office will often adapt to fit the needs of its clients or those clients it hopes to attract by specializing in certain services or offering a suite of different services that a prospective client may or may not need.

This adaptation to fit the client is part of what makes a family office so attractive to clients because they can get everything they need done through their family office, eliminating the headaches and worries in selecting various service providers and firms in order to manage the client’s wealth and day-to-day needs. A family office can provide its client(s) with a multitude of services and often cut down on inefficiencies among several services. For instance, a family office that invests its clients’ money and takes care of their taxes will already be conscious of tax efficiencies when considering various investments and will not have to coordinate with an outside accountant to understand what the impact on the client’s taxes will be if the investment is made. This is just one example of how family offices can make life easier for their clients while providing a range of important services.

THE FAMILY OFFICE UNIVERSE

It is helpful to look at the family office industry and think about how closely aligned different parties are to the central needs of ultra-wealthy clients. The diagram in Figure 1.1 depicts how closely aligned the goals of various parties are to the needs and goals of ultra-wealthy clients.

You can see that there is a symmetrical ring around the ultra-wealthy. That first ring represents single family offices that focus solely on the needs of an ultra-wealthy individual or single family. The second ring represents multi-family offices that are almost completely aligned with the ultra-wealthy client; at the same time they need to please several or even hundreds of other ultra-wealthy clients as well, so they are not 100 percent aligned with the goals of a single ultra-wealthy client, but close.

The third and fourth rings represent service providers and regulators. The service provider grouping includes consultants, placement agents, traditional wealth management firms, and general accountants or tax attorneys.
FIGURE 1.1 The Family Office Universe

While a tax attorney is surely more focused on ultra-wealthy client needs than is a regulator (as depicted later in this chapter), all of these groups are, for the most part, not focused on and built around the needs of ultra-wealthy clients or family offices.

The stars within the Family Office Universe diagram represent the tens of thousands of fund managers and investment professionals who are constantly trying to seek capital from family offices. They are sometimes connected to multi-family offices or service providers, or they are disconnected from the industry to the extent that they don’t really understand what a family office is or how most of the ultra-wealthy are having their capital managed.

THE HISTORY OF FAMILY OFFICES

Free Video (Recorded in Zurich): “History of Family Offices,” at FamilyOffices.com/Video4

Single family offices have existed in different forms for thousands of years. In the article “Family Offices in Europe and the United States” by Dr. Steen Ehlern, the managing director of the Ferguson Partners Family Office, noted that the merchants of ancient Japan and the Shang dynasty in China (1600 b.c.) both used multigenerational wealth management strategies.

There are also several accounts of “trusts” being set up for the first time during the Crusades (a.d. 1100). Later, many wealthy banking families of Europe, including the Medicis Bardis and Rothschilds, were said to have used a family office–like structure. These organizations often offered their services to other wealthy families, and in the late 1800s and 1900s they started to look more like
modern day multi-family office operations. These operations grew out of single family offices that were asked to serve connected business families and out of private banks and early trust company establishments that were looking to serve more affluent clientele.

Even now the family office industry is relatively obscure and not very well understood. While everyone in the financial industry has a rough idea of what a hedge fund is (or at least knows that they exist), many finance professionals don’t know what a family office is or what it does. When it comes to the general public, knowledge of a family office or its operations is close to nonexistent.

Looking at the growth of the hedge fund industry, I believe the model really started to take off between 1970 and 2000. The family office industry is on a parallel growth track, and our market research and interviews have uncovered that we are just 10 years into a 30-year surge of growth in the family office space. For example, I recently spoke on stage at an event with a wealth management professional who has 17 years of experience; while he was very successful and bright and did know what a hedge fund was, he did not know what a family office was. If someone who works in wealth management is not aware of the family office industry, many of the ultra-wealthy are not either. There are more than 10,000 family offices in the industry; I predict that the industry will double in size by 2020.

STATE OF THE FAMILY OFFICE INDUSTRY

Free Video on “State of the Family Office Industry (Recorded in Liechtenstein):
FamilyOffices.com/Video5.

The family office wealth management industry is larger and faster-growing than ever before. Family offices are thriving. Ultra-high net worth families shape our economy and communities; that can be seen all around us through their operation of franchises, apartment buildings, operating businesses, and capital infusions. Family offices are an important source of capital for small and medium-sized businesses and investments, which fuel much of the global economy.

Family offices are often global in their presence and investing. To date, I have spoken in more than 20 countries around the world, and every region shows evidence of a thriving industry that is only just beginning to become more widely understood and defined. Throughout this book, you will have the chance to learn more about these industry hot spots, recent trends, operations, investments, and the future of both single and multi-family offices.

WHO USES A SINGLE OR MULTI-FAMILY OFFICE?
While some family office clients inherit their wealth and others earn their wealth as an athlete or movie star, a high percentage of family office clients have recently taken a company public or sold a business. As a result, their net worth is now $20 million, $300 million, or more, assets they did not have to manage in the past. Family offices try to help manage and preserve that wealth, and the goal of this book is to explore how they attempt to do that on a consistent basis.

Examples of well-known individuals who use family offices are Michael Jordan, Paul Allen, Oprah Winfrey, Bill Gates, and Donald Trump. Almost everyone who runs a single family office has between $100 million and $1 billion in assets, with a smaller percentage having over $1 billion and an even smaller percentage having under $100 million under management. Most multi-family offices require $20 million to $30 million in investable assets to join their platform, but due to economic conditions and hunger for business growth, some family offices are allowing $5 million and $10 million clients in the door. At the other end of the spectrum, some high-end family offices, including several we interviewed for this book, require $100 million to $250 million in investable assets to participate in their multi-family office. For the purposes of this book, we will be referring to ultra-affluent clients as individuals or families with more than $20 million in investable assets.

WHY FAMILY OFFICES?

There are many reasons why the ultra-high-net-worth are forming and joining family offices faster than ever before. We will explore the four drivers of growth in the industry within Chapter 10, “The Future of the Family Office Industry,” because you may be wondering, “What are the core motivations of these ultra-wealthy individuals looking to start or join a family office?”

Once you begin dealing with $10 million, $100 million, or $500 million or more in assets, many issues that may sound small become very important to manage closely. These issues include global taxation, risk management, and even things like cash management. A section of this book in Chapter 6 will focus exclusively on cash management best practices; well-managed cash can often pay for most (if not all) of the expenses of using a family office.

MORE MONEY, MORE PROBLEMS

It really is true: The more money you have, the more problems and challenges you face, no matter how “high quality” the problem may be seen by some. A good analogy for understanding how small details become more important as wealth grows is the managing of currency risk exposure for Procter & Gamble versus managing that same risk within a $1 million-a-year small business with global clients. Surely the small business does not have a fulltime currency risk expert on its team, while Procter & Gamble most likely employs several full-time professionals who do nothing but hedge global
currency risks. The same goes for the importance of tax matters for someone with $80 million to invest versus $800,000.

Here is a list of the top benefits of working with a family office instead of a single CPA or traditional wealth management professional:

1. More control and direction of where every dollar is spent in managing your wealth holistically.
2. Central financial management center for the wealth so more holistic decision making can be made.
3. Higher chance of an efficient and successful transfer of family assets, heritage, values, and relationships.
4. Access to institutional quality talent, fund managers, and resources that would be difficult or impossible to obtain as an individual.
5. Reduced costs in achieving a full balance sheet financial management and investment solution.

FAMILY OFFICE INDUSTRY CONFERENCES

Around the world, there is a growing awareness and interest in family office wealth management. Fund managers want to raise capital from family offices, wealth management firms want to convert into family offices, and ultra-wealthy individuals want to learn more about the industry before starting their own single family office or joining a family office. One way to reach family offices is to attend a conference. Like other types of conferences, some are more valuable than others. Some family office conferences are invitation only, some are free to attend if you operate a family office, and most of them are held annually.

These conferences are most useful for family offices that are looking to connect with fund managers, service providers, and fellow family offices to explore partnerships and trends. While it may add to your credibility in the industry to speak at such an event, you will most likely not directly get any new clients for your family office business by attending such a conference. I attend family office conferences every quarter and I’ve spoken at more than 150 conferences now. Please do come up and introduce yourself if you see me at one of these events (WilsonConferences.com); it would be great to meet you in person.

Family offices have been around for a long time in different forms, but for only a very short amount of time in their current state. The industry is quickly evolving and provides a critical solution to the ultra-affluent who are willing to pay for more holistic management of their finances. In the following chapter, we will expand on the actual services that many family offices are providing.
2) How to Start a Family Office: The following is an excerpt from our bestselling book *The Single Family Office: Creating, Operating, and Managing the Investments of a Single Family Office*. This is just one of several chapters focused on the topic of starting a single family office.

“According to an old French motto, noblesse oblige—one must live up to one's name. The Rothschilds' condition of life has imposed on them a second motto: richesse oblige—one must live up to one's fortune.”

- Guy de Rothschild

This chapter is the first of several in this part of the book on how to start a single family office. We have helped dozens of families put together their unique single family office structures and teams, and while some consultants charge $400 an hour to provide such advice we share here openly what we have learned as part of our mission to help this industry formalize, grow, and mature. Affluence affords families of considerable means the lifestyle, pleasures, and stability that solve many of life’s otherwise daily problems. Still, money can also be a source of discord, especially when a family’s money is shared between different family members, with different objectives, values, and processes.

It is important to establish a framework by which you can guide your family office through any issues. Your Family Compass is the set of documents and policies that will help you navigate your way through uncertainty and ensure that you never stray too far from the ideals, objectives, and policies that you value.

It is important to create a set of policies, guiding documents, and rules by which a family office will operate. Many single family offices talk about these issues in their motivation to start their organization, but never take the time to formalize these so that everyone is aware of them and invests and operates based on them.

Many families talk about all of the issues below, but never document them or put them into writing and this leads to misunderstanding. Something which was critical in building the family wealth, or is a top-three issue for parents or grandparents in a family, may be lost in translation as the next generation inherits wealth or control of the family business unless it is written out and communicated over and over again in many ways. The most successful process I have seen for transferring ideas from one generation to the next is using stories, having just a few core principles, and repeating these values often.

“Vision is perhaps our greatest strength… it has kept us alive to the power and continuity of thought through the centuries, it makes us peer into the future and lends shape to the unknown.”

- Li Ka-shing, estimated to be the wealthiest man in Asia

The following are the core documents and policies needed to create your Family Compass:
1. Mission, Values, & Goals

You cannot hold a team accountable if you don’t have a clear mission statement and know what objectives you would like them to accomplish. The mission of a single family office can look very different than that of an endowment, pension fund, or even traditional wealth management firm, so it is important to document these principles and objectives.

This is the first, fundamental task for creating your Family Compass. Writing down your family office mission will force you to settle on the exact objectives of your family office. Are you looking to grow your wealth with the goal of giving the majority of it to charities and worthy causes? Are you concerned with protecting your fortune for future generations? How will you use your means to support your family? The goals of your family office are important and you will need to have your objectives set before you start structuring the family office to meet those goals.

As you bring in advisors and structure your family office, you should think about the culture and values that you want to instill in your family and those that work on its behalf. When I meet successful single family office executives, I am often struck by how ingrained the values of the founder are in the executives, even if they are not related to the family. By defining your values, you will be able to more easily determine whether a new hire is a good fit or whether a business venture fits with your family’s ideals.

Your goals, values, and vision should all be reflected in your mission. This document will lay the groundwork for the rest of your Family Compass.

Governance Policies: In case you skipped over part of the last chapter, each family office should have a thorough governance policy document to help communicate how decisions are made. This document should outline who has the power to make hiring decisions, investment portfolio allocation changes, compensation adjustments, profit distributions from the family office to family members, and when the next generation of the family is to receive capital and the process for those distributions. This document can help guide the family when there is a sudden death in the family, losses in the investment portfolio overall, or a dispute of some type. It also helps ensure that no single family member gains more control over the family wealth than was intended.

1. Ethics Policy Document: An ethics policy should explain what is acceptable behavior as a family member or employee of the family office. It may include elements such as personal use of family business assets, standards in dealing with third-party vendors, reporting of issues to a compliance officer or board member, insider trading concerns, conflicts of interest, anti-bribery policies, employment policies, privacy expectations, gift policies, press and media relations, and other areas unique to each family’s operations and investments. To download an example ethics policy template, please visit http://SingleFamilyOffices.com/Ethics

2. Core Values: If you don’t know what the top five values your team holds, it will be more challenging to hire, fire, and invest with conviction. Our team worked for seven years without values defined. To connect our team further, we defined our seven core values and within two
weeks of defining them clearly, we fired two of our team members and “gracefully exited” a family office who had us on a $7k/month advisory retainer because all of those professionals were clearly at odds with what we stood for and the goals that we were trying to accomplish. These values can be especially valuable when deciding which family members to include in the family office or core operating business operations, and which may not be a great fit for such a full-time position. We post our core values on the walls of our office, and on our board room table and talk about them during our weekly strategy meetings, to see an example of what we post to get an idea of how these help make decisions day-to-day please see http://SingleFamilyOffices.com/Values

3. **Investment Mandate:** This document helps guide where the capital should be invested, and exactly how it should be deployed, diversified, and protected. It should detail priorities in terms of capital preservation, taxation, growth, income, etc. It should also balance income and risk management needs with the liquidity and cost concerns in the space where investments are being made. For example, one family I know invests exclusively in real estate and the commodities industry and their investment mandate would involve many details around illiquidity of investments, cash and liquidity needs of the family, and how various investments should be ranked or evaluated amongst themselves. Many times, this document is created by the Chief Investment Officer upon their arrival, or is discussed weekly with the investment team. The document may need to be formally revised monthly or bi-monthly, and will most likely need input from several members of the family, as well as the Chief Investment Officer and Chief Executive Officer of the family office. It is important to not let your highly paid CIO, influential board member, or other family offices dictate your investment mandate, those individuals can help provide input and a roadmap on how to get from A to B, but your objectives, mission, and values should tell you where “B” is for you and your family, or the family you are serving.

4. **Key Performance Indicators:** As noted in the previous chapter when talking about Verne Harnish’s book, a Key Performance Indicator (KPI) is an objective measure of performance of a task, investment, or completion of a regular critical action within the family office. It is helpful to implement KPIs for each member on the team in order to manage and evaluate their performance and that of the family office overall. If you have a team of five professionals running your single family office, it can be useful to create a total of 15 KPIs and three “smart numbers” which combine various KPIs to give you an overall picture of the effectiveness of the team and health of the portfolio.

5. **Systems & Processes:** Within a year of starting a single family office, standard processes should be developed so that each team member could be replaced by another professional, and quickly that new person should be able to understand what is going on and how the work was being carried out. Most professionals carry out 5 to 15 processes that directly correlate with the value they add to the organization. Make it a requirement for everyone on your team to know what these processes are, what steps are taken to get them done every week or month, and document them within an overall operations binder for the family office. Each individual then can have their own mini-process book for how their job gets done, and key executives should be able to see how the whole family office is operating.
I have met face-to-face with over 1,000 family offices globally, and I can count on one hand how many have all 7 of these points in place and updated. Doing so will give your team less turnover, more accountability, and allow important decisions to be made with more clarity than otherwise possible.

**Radio Show Interview:** I was recently interviewed for a national radio show called *Money In Your Life* on the importance of a family charter, values, and objectives when it comes to setting up a family office and protecting your capital: You can download this radio show or stream it online here: [http://SingleFamilyOffices.com/Radio](http://SingleFamilyOffices.com/Radio)

Your family compass does not need to be a professionally-bound, 200-page manifesto. Whether it takes your family two long weekends to come up with 10 pages documenting beliefs, priorities, and objectives, or whether it takes you three years to put this together, the process of doing this is part of the benefit. Many times, these topics get very little, if any, table time at family gatherings and meetings.

The cost of not creating a compass for your family is incredibly high; it can lead to additional family disputes and mismanaged expectations, loss of capital due to misaligned priorities within the family, slow decision making among voting family members, and even lawsuits. In some cases, ignoring this area could make the difference between a family sustaining wealth through the second, third, and fourth generation. It is also very hard to articulate exactly what you are looking for to your advisors, service providers who call on you, or own team members if you have not thought it through and explicitly written it out as a family or single family office team.

**Family Office Compass**

1. Mission
2. Values
3. Objectives/Goals
4. Investment Mandate
5. Priorities
6. Governance
7. Ethics Policy*
8. Key Performance Indicators

*For an example ethics policy, please see our word document template version here: [http://FamilyOfficeSetup.com/Ethics](http://FamilyOfficeSetup.com/Ethics)

Note: The more involved your entire family can be in this process the better, a family town hall or council may need to be established.
If you need assistance in setting up these documents, please let our team know; we can make this process straightforward and effective.

**Compare Your Family Office to Others**

We recently conducted a survey covering over 100 family offices globally, and the following responses show the level of organizational sophistication among the family offices within our association that completed the survey. You can see from this chart that less than half of all family offices surveyed have fully formalized family office operations.

![Survey Chart]

<table>
<thead>
<tr>
<th>Answer Choices</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisory Board</td>
<td>34.07%</td>
</tr>
<tr>
<td>Formal Investment Committee</td>
<td>37.88%</td>
</tr>
<tr>
<td>Independent Investment Consultants</td>
<td>45.19%</td>
</tr>
<tr>
<td>Direct Investment Acquisition &amp; Deal Flow Team</td>
<td>32.59%</td>
</tr>
<tr>
<td>Dedicated Office Space</td>
<td>56.30%</td>
</tr>
<tr>
<td>Professional Staff from Outside the Family</td>
<td>55.56%</td>
</tr>
<tr>
<td>A Formal Family Charter (Goals, Mission, Objectives, Values, etc.)</td>
<td>29.55%</td>
</tr>
</tbody>
</table>

In a few chapters, you will have a chance to read my interview with Geoffroy Dedieu, CEO of the TY Danjuma single family office. Here is an excerpt from that interview that is especially relevant to this chapter:

**Richard C. Wilson**: If you were to advise someone on creating a family office, what do you think the first step should be, and out of all of the steps, what are two to three critical things to get right, and focus the most energy on?

**Geoffroy Dedieu**: Step number one is, just like for any business decision the family took in the business area, have a well-structured, detailed plan. Write it down: what are your objectives, what do
you need, what are the Key Success Factors (KSFs), what will it cost? There is no reason to be less structured when it comes to creating an SFO than the family was when it created its business.

   Step number two is to hire a veteran of the industry with a proven track record. Step number three is to let him/her gather enough information to map the current situation, prepare a total wealth report, inclusive of a risk register and a 90-day action plan. Depending on the complexity of the family and the political or relational landscape in an emerging market situation, this could take three to six months.

   Conclusion
   While the next few chapters dive deeper into the process of creating your family office, it all is based on reading your Family Office Compass first and knowing where you want to go. I have had dozens of conversations with journalists, radio hosts, and ultra-wealthy families who ask me about my recommendations and guidance on what to do first while creating a single family office. I always have the same initial reaction to the question: Nothing. Do nothing, until you know exactly what you want and don’t want, and what your priorities, objectives, mission, and values are from the very start. Everything else is constructed based on what the compass has told you.

This concludes chapter 5 from our Single Family Office Book publication, to learn more about starting a single family office please visit: http://SingleFamilyOffices.com/how-to-start-a-family-office

3) Billionaire Family Offices: The following is Chapter 14 of The Single Family Office: Creating, Operating, and Managing Investments of a Single Family Office. This chapter talks about Billionaire Wealth Management and how $1B+ single family offices operate.

   At the Family Offices Group and Billionaire Family Office, we grow our relationships and reach in the family office industry by identifying client case studies, best practices, trends, operating models, and mistakes to avoid. We then actively share those trends and lessons learned with single family offices around the world through our books, webinars, podcast, newsletter, consulting clients, and events. It is in this spirit that we decided to add this chapter, $1 Billion+ Single Family Offices, focused on the most valuable, high-end, and private niche in the industry. We have based this chapter on our experience of
knowing 55 families and single family offices with over $1B in assets. Typically, we are cold-called or emailed by such a family about twice a month for various reasons ranging from deal flow origination challenges or acquisition search needs, building out an advisory board, or executive search needs.

Families that are worth over $1 billion are different animals than those with $20M, or $200M; like giraffes, they cannot afford to eat small plants (operating businesses) and they typically take bigger and bigger bites and look higher up in the trees for their investment portfolio. These families are almost always global, 90% of the 55 families that I know have their own foundations, and most are very passionate about what they give to. Once families get to this level, they have complex challenges in front of them ranging from talent acquisition and compensation, deal flow sourcing and analysis, to global due diligence and asset monitoring. Every activity involves unique complexities, such as measuring legal exposure or producing seamless reports for dozens of team members, and these complexities expand exponentially at the $1 billion+ level.

There are over 1,500 billionaires in the world today and that number is growing. A 2013 BCG Wealth Report stated that there were 70 billionaires in New York, 64 in Moscow, 54 in London, 40 in Hong Kong, and 29 in Beijing. This is not too surprising given that when I look at dozens of sources of competitiveness rankings for HNW, cities that matter to UHNW, or cities with the most residents with $100M +, the cities of New York, London, Tokyo, Paris, Hong Kong, and Singapore come up again and again. While the U.S. boasts the highest number of billionaires, growth in BRIC countries and in emerging markets has spread billionaires more globally than in years past. Countries like Brazil, Switzerland, and Singapore are making a concerted effort to attract billionaires to establish a residence in these welcoming countries, rather than more traditional wealth hubs like New York City and London. Here is some data from Knight Frank in 2012 on the number of billionaires in different countries around the world:

<table>
<thead>
<tr>
<th>Country</th>
<th>Billionaires</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>543</td>
</tr>
<tr>
<td>China</td>
<td>154</td>
</tr>
<tr>
<td>Germany</td>
<td>149</td>
</tr>
<tr>
<td>UK</td>
<td>149</td>
</tr>
<tr>
<td>India</td>
<td>122</td>
</tr>
<tr>
<td>Russia</td>
<td>102</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>70</td>
</tr>
<tr>
<td>Switzerland</td>
<td>63</td>
</tr>
<tr>
<td>Brazil</td>
<td>55</td>
</tr>
<tr>
<td>Indonesia</td>
<td>31</td>
</tr>
</tbody>
</table>

Eduardo Saverin, one of the founders of Facebook, saw his net worth balloon to more than $2 billion in recent years as the social media company went public and the valuation of his minority stake soared. Saverin garnered a lot of attention in the media when he renounced his American citizenship and established his residence in Singapore. This decision appears to have saved Saverin millions of dollars that would have been paid in capital gains tax from the IPO, but the move speaks to a larger
trend among billionaires: relocating to more tax and business-friendly countries. In this global era, it makes sense for many billionaires to open offices abroad or even relocate permanently to a different country that has particular benefits for the family. Many billionaires manage large investment portfolios and do much of their business in different countries, so the decision to move overseas is not as extreme as it might feel for someone who does not spend a great deal of time traveling or working across different countries. I expect that billionaire families and $1 billion family offices will continue to expand businesses and residences abroad and ultimately relocate to the most attractive cities for billion dollar families.

$1B+ Family Values

When you meet with a $1 billion family, you’ll notice that the family prioritizes different values compared to any other investor client, even other high net worth families and individuals. Here is what I have found these billionaire families value most:

1. **Capital Preservation – A mix of risk management and opportunism**: Capital preservation through investing in outsized returns for moderate risk. This does not mean a high risk-high return strategy; it simply means they try to earn, for example, a 7% return in a way that manages risk much closer than others seeking that same return target for one area of their portfolio.

2. **Deal Flow**: High quality deal flow, profitable $1M-$50M EBITDA companies that they can write a $5M-$250M check to acquire. We have entire chapters dedicated to this topic earlier in the book.

3. **Talent & Network**: Experienced talent, insight, genuine value-add recommendations and referrals. This community works upon referrals and trusted networks. They cannot investigate completely every opportunity on its own—not thoroughly at least. As Richard Branson has said, “At my level, I cannot do anything myself, I must rely upon my team and operating business CEOs.” In the same way, billionaire family offices rely on their staff, business partners, friends, and other relationships to provide referrals to valuable people and opportunities.

4. **Legacy Establishment**: Whether it is through dominating their industry, charitable contributions, continuing the growth and sustainability of their wealth, or all of the above, families of this size put an enormous amount of thought and energy into the legacy that they will leave behind.

Different families will place these values in a different order, but I find these topics and value points coming up weekly in my conversations with them. Those who can add meaningful value in a powerful way while speaking their language get invited into their inner circle.

**Global Perception of $1 Billion+ Families & Reality**:

I recently traveled to London to discuss co-investment opportunities with a $2B & a $5B+ family. While in town, I was invited to the BBC World News TV show for an interview on $1B+ families and their single family offices (pictured below).
Much of the interview focused on why these families are not spending more of their money to help the economy, the perceptions of the ultra-wealthy, and what it is like to work with them every day. Some important points came out of the show’s discussion and I wanted to share these thoughts with you here.

- None of the families that I have met to-date became wealthy through sheer good fortune, such as winning the lottery, finding gold on their horse ranch, etc. Almost all of the family offices that I work with have all started and grown successful businesses and worked long hours over many years. Yet, the perception remains that many ultra-wealthy families lucked into their wealth and did not earn it through hard work and success. I’m sure many billionaires on the Forbes list have given up trying to comprehend this perception in the face of their real lives spent running between meetings with their Board, investors, clients, and employees.

- While family offices and $1B+ families are seen sometimes as secretive, hard-to-access, and under-the-radar, they are everywhere. They are behind the charities we hear about, backing the venture capital funds, owning the sports teams we cheer for, and refining the oil going into our cars. They are omnipresent, yet somewhat secretive at the same time.

- Part of the interview with the BBC focused on what it is like to work with these families. As I explained on-air, I have found them all to be highly professional, respectful of time, and, while very busy, they do take time to identify high-quality partners and products. It is also important to note that while these families have exceptional wealth, they are always receptive to exceptional ideas and insights. If you can provide genuine insight on your area of niche expertise, then you have a knowledge-currency that they don’t have. In that way, you will be seen as valuable to their team, even though you may not have $100M or $1B yourself.

- Most newspaper headlines on the ultra-wealthy focus on wasted money, crashed Ferraris, family disputes, or other negative aspects of being very wealthy. There are many family disputes, but what goes on with these families is far from what the media portrays and is not consistently negative. In fact, I believe the more that billionaires and wealthy families appear publicly, speak on TV, attend conferences, and otherwise engage the public, the more people will see the reality of affluence: the people who have built these fortunes are usually even more extraordinary than the wealth they have amassed. By and large, these individuals are successful because they have built a business, capitalized on an idea, or simply worked hard and been rewarded for their efforts.
Some may disagree—and this is as political as I ever get—but I believe that as a society we are playing the game of capitalism and, with the exception of a few corrupt politically-connected billionaires, the rest of these individuals are winners in this global game that we play. They should be studied, learned from, and respected as the leaders that they are.

**$1B Single Family Office Interviews:** As of the writing of this book, we have a network of 55 families and single family offices with $1B or more in capital. These families are our clients, friends in the industry, and speakers at our events. We decided to sit down with a few of them for a short interview to add some additional perspectives to this book. Below, please find interviews with two $1B+ single family office executives: Shiraz Poonevala of G.P. Group of Companies and Michael Connor of Consolidated Investment Group. We debated on keeping many interviews in this book anonymous (especially the $1B+ ones) to prevent them from receiving a flood of inquiries from readers, but, in the end, we decided transparency and authenticity was the best policy. We ask that you please respect the time of these professionals mentioned here and elsewhere in the book.

**Interview with Shiraz Poonevala**

Shiraz is the CIO of G.P. Group of Companies, which owns and operates over 60 operating businesses and has well over $1B assets. Shiraz spoke at our recent event in Singapore at the Raffles Hotel and shared some great deal flow and direct investment-related insights, so I invited him back again to share more within this book. Shiraz will be a featured presenter during our $1B+ Family Office Speaker Series on Day 3 of our 500-person Family Office Super Summit.

**Richard C. Wilson:** What are the top three methods for $1B+ single family offices who are always "in the market" to increase their deal flow?

**Shiraz Poonevala:** The first way to increase deal flow clearly is to have an extensive network. In Asia, at least a lot of the deal flow comes from other Family Offices, then from Investment Banks and finally from wealth managers or bankers representing their products or knowing big business houses/families. Hence, being in the market and being known and well-connected is of paramount importance.

Second, is to have a track record and reputation of doing deals. It is quite important to have a clear strategy of what deals you can and cannot do as that quite obviously significantly improves the chances of success and also eliminates deals that are not suitable pretty early in the game, which a lot of people referring the deals really appreciate.
We pride ourselves in sending out the first response on a potential deal referred to us within 24 hours either which way. This is because we have a basic “smell test” that all deals must meet. Once the deal passes your basic criterion, working on it in a focused manner and with a finite timeframe is important. Finally closing a few deals a year gives a lot of comfort that you are a genuine investor which in turn gets you incremental deal flow. A good reputation and credibility in the market with all partners greatly helps in generating incremental deal leads.

Finally, deal flow is also a factor of market conditions and sentiment, and a lot of times we have seen that in a bear market, the deal flow slows down or dries up, but from our experience this is the best time to be looking at value and encouraging sell-side people to be showing us deals that they may otherwise think would not be of interest due to the poor market conditions.

**Richard C. Wilson:** Where is the highest quality deal flow for lower-middle market and mid-market deals?

**Shiraz Poonevala:** Normally, again from other Family Offices or Investment Banks, but this time the more niche or boutique type with some kind of specialization and not the bulge bracket banks. There are lots of focused and specialized funds or boutique houses and we have found a lot of value in dealing with these when looking for smaller mid-market deals.

**Richard C. Wilson:** I believe the direct investment and co-investing area within the family office world could use some additional sophistication, but often times you have to be opportunistic with such investments and the size of an investment round or terms may not line up with an ideal portfolio construction plan.

What lessons have you learned about building a portfolio of operating businesses in terms of risk, cash flow, liquidity needs, and synergies?

**Shiraz Poonevala:** When I first joined the Family Office, there were no real criterion for any investment decisions and it was some basic due diligence and a lot of gut feel. Over time, we managed to put some systems and processes in place with a clear focus.

One of the first things we decided to do was to stop being a financial investor and only become a strategic investor, i.e., look at businesses where we honestly believed we added value (either by domain knowledge or geographic expertise or other ways, but not just money). For new opportunities, we set up the mantra that we would look at investing in people we trust, businesses we understand, and geographies we are familiar with—any opportunity had to pass this test before we decided to go further.
Having adopted this methodology, we do believe we have greatly reduced the risk of being a passive investor (though there could be some concentration risk if there are not enough domains to invest in, but thankfully that is not the case with us).

We have also been able to unlock a lot of value with the synergies that we bring to the table, mainly by sharing good practices across similar businesses, benchmarking and a lot of cross pollination of people. Cash flow and liquidity are always a concern with any direct/co-investment and to circumvent this we like to deploy surplus funds only and not leverage too much.

An ideal portfolio construction plan is something we always work towards at the macro basis and it is one of the key functions of the Family Office to look at concentration risk, liquidity risk etc., but it is quite dynamic and something we like to keep on top of. We would not, however, pass a good opportunity only because it is not in sync with our ideal portfolio construction plan, but would look towards ways of making the investment whilst adjusting or tweaking other bits of the operating businesses or in a worst case adjusting the plan.

Most Family Offices run by a strong patriarch are very opportunistic by their very nature and would not like to see too many “policies and procedures” come in the way of a good opportunity.

Richard C. Wilson: Do you believe families are best deciding on one to two or three industries in which to complete their acquisitions or do you believe in a more generalist model when it comes to direct investing and club deals, and why?

Shiraz Poonevala: I would say a lot depends on the genesis of the family and the culture of the patriarch. If all the money has been made from a single, very successful business, like is the case in many instances in Asia, then the family is less keen to diversify into other industries (in most cases, property and property-related investments seem to be the natural progression and the first real diversification).

Also, a lot of these families prefer control over the business and are not very good at partnerships or trusting of other people, and hence diversification is generally an issue with the first gen, but not so much with the next gen who are perhaps more progressive and willing to look at acquisitions. My personal advice to any Family Office would be to look at strategic investments and initially at least look at club deals before getting into any new industries by themselves.

A lot will also depend on the nature of the opportunity available—for example, last year we acquired a construction company listed on the stock exchange of Thailand, as the largest investor was looking to sell out for some internal reasons. The company was extremely well managed with a good team in place, valuation was reasonable and the due diligence was one of the cleanest we have seen—we
decided to take a controlling stake in the company for these reasons and thanks to some aggressive infrastructure development in Thailand, the construction industry in general and our company in particular has done very well. Hence, not wanting to generalize, I would also say a lot depends on each deal construct.

**Richard C. Wilson:** What are a few $1M pitfalls that you can help single family offices avoid when they are looking to purchase an operating business?

**Shiraz Poonevala:** I would say key issues to look at are:

- Understand the business and people behind it, especially if it is owned by another family
- Conduct a thorough due diligence
- Engage good lawyers
- Ensure the deal terms are good to both parties
- Check the post-acquisitions synergies thoroughly
- Pay close attention to the post-integration activities and integrate as much as you can as soon as possible.
- Retain key management for at least three to five years and motivate them to a higher extent than they were motivated before

**Richard C. Wilson:** Your family owns over 60 operating businesses, and has collected many best practices while doing so. Can you share some negotiation or "contract terms" related lessons learned over time?

**Shiraz Poonevala:** When we negotiate, we always adopt the philosophy of negotiate in good faith, document more is better than less in the contracts, and leave the legal stuff to the lawyers, but certainly not the commercial issues which we like to discuss with our counterparts directly. Key issues that we look at from experience are:

- Minority control issues and veto rights for a partner that is in such a situation
- Fund raising and dilution in case the company is in need of money and a shareholder cannot or is not keen to continue to invest
- Exit strategies when one or more shareholders want to exit
- Recourse to when a company is frustrated either because management or shareholders cannot get along and the day-to-day running is impacted
- Indemnities and warranties for acts done before the date of acquisition if we are buying into an existing business
- When we have had private equity invest in our companies, we have started naming the director we would like nominated to the Board of the investee company in the contracts because a lot of times the discussions are held by senior partners, and after the investment, a junior partner is nominated to the Board.
Richard C. Wilson: At our family office conference at the Raffles Hotel in Singapore, you talked about partnerships for a while. Can you talk about the importance of partnerships here and all the ways those can help while building a portfolio of operating businesses?

Shiraz Poonevala: We really believe in partnerships and pride ourselves in partnerships, and all our businesses are effectively partnerships because where we have none—we make management our partners. I guess partnerships work really well if you have the right mindset and can find the right partners—we really do not have a large management team, but do have a lot of expertise and we therefore leverage that expertise through partnerships and their management teams.

Partnerships clearly allow you to grow faster across all verticals and geographies. They also help you to imbibe best practices that your partners may have that you may wish to embrace. From a diversification and risk perspective, they also help mitigate exposure.

I guess the downside is when it does not work out for whatever reason, but then we are very clear in our minds at least that rather than get into a protracted litigation for the right or wrong reasons, we are better off settling by having a discussion with the partners. Thus far it has worked for us and in the five years that I have been here, we have had three such discussions, all with outcomes which were considered as reasonably fair to the parties concerned.

Interview with Michael Connor

Michael Connor is Investment Director of the Consolidated Investment Group. Michael is someone that I have known for several years, work with on deal flow programs, and have had speak at my live family office events. He works for a $1B+ single family office in the U.S. and helps invest across a portfolio of direct investments, real estate, and alternative investments. You will be able to meet Michael in person at our Family Office Super Summit this November, where he will be one of the single family office speakers.

$1B+ Single Family Office Audio Interview: In this interview with Michael Connor, we discuss cash management, finding family office talent, his experience working at two different $1B+ single family offices, and a bit on due diligence, as well. This interview was conducted over the phone and recorded in MP3 format and you can listen to the full 45-minute audio interview by either streaming it through our website or downloading it as an MP3 onto your phone or computer. Simply visit this page for either option:
http://SingleFamilyOffices.com/Connor

Magazine Interview
I recently completed an interview for an Asian magazine on my work and views on $1B+ families. Here are the questions that the group asked and my answers:

**How are single family offices operating in Asia & Latin America compared to Europe and the United States?**

Many of the $1B+ single family offices in Asia and Latin America are much more focused on operating businesses, commercial real estate, and hard assets than their U.S. and European counterparts. The last time I met with a room full of private bankers, wealth managers, and multi-family office types in Moscow, there was not a single one who had a "Westernized" diversification model in their investment portfolio, which included hedge funds, private equity, public markets, commodity/hard assets, bond investments, etc. They were all invested almost exclusively in commercial real estate and operating businesses. In both Asia and Eastern Europe, secrecy is valued as much as—if not more than—investment returns. These wealthy individuals fear being hit with additional regulation, investigations, or corruption in one form or another if anyone was to know their true net worth.

Many of the larger family offices in the East, with the exception of the most formalized in Singapore, Hong Kong, Tokyo, and Australia, are managed by family members or close friends and confidants of the family. As a family's wealth increases, their need to employ professionals underneath family members to help run operations and manage partnerships increases, but in 85%+ of my relationships with $1B+ families, there is at least one family member serving in a top position, typically as CEO or CIO. This is at odds with family offices of the West, which are typically managed by investment professionals. The biggest factors driving this divergence are secrecy concerns and loyalty.

In Latin America, I have found a middle ground; strong business ties to the U.S. and a robust Westernized banking center have led to well over 500 hedge funds and private equity funds operating in Sao Paulo alone. Furthermore, the concept of allocating to investment fund managers is becoming much more widely accepted in Latin America. Many of the most affluent families in Latin America have diversified their wealth through investment fund managers, but not to the degree of the average U.S. single family offices.

**Do Asian and Latin American family offices need to formalize and become more like their U.S. counterparts?**

One of my least favorite comments regarding family offices is that Eastern European and Asian family offices need to formalize themselves more to become more like U.S. families. Often this type of remark is said in a somewhat condescending tone, but the more time I spend in Asia, and Singapore specifically, the more I see that U.S. families could learn from families in other regions of the world. Some Asian families are trying to become more diversified with Western third-party investment fund
management, but at the same time, U.S. families are looking for co-investments, club deals, and direct investments, almost as if it is a new solution to their troubles. A lot of U.S. families are struggling to complete due diligence, decide on a direct investment portfolio strategy, and to find talent to help them manage all of the investment due diligence and operating improvements long-term. Many Western families could learn a lot about how Eastern families have been focusing on direct investments for generations, without the distraction of public market investments.

For example, a 2nd generation family that we just started working with has over $1B and 20 operating businesses, employs 100's of team members, has brought in a seasoned CIO from Singapore to help run the single family office, and the family is now formalizing a process for acquiring assets. The family has reached an impressive level of success in a turbulent political state, and this success will likely continue due to their diversified approach, which leverages their core abilities in food production and supply chain management. Many food and agriculture families could take notes on their approach.

*How do you see Single Family Offices developing in BRIC countries, and how does activity there reflect the growth of wealth globally?*

Statistics and studies show that in the future, much of the new wealth and a larger percentage of new billionaires will come from Asia. BRIC countries in general will outpace most non-BRIC nations in terms of new wealth. The 2013 Wealth Report by Knight Frank suggests that only the U.S., Germany, and the UK will remain in the top seven countries, along with the four BRIC countries, in terms of most billionaires living in each country by 2022. The only reason that the U.S., Germany, and the UK are able to maintain these positions is that they attract capital, businesses, and billionaire families due to the financial marketplace and business benefits of operating in places such as Berlin, London, New York, Miami, etc.

I see the single family office industry becoming 7-10 times larger than it is now by 2035. More single family offices will emerge as families start to identify themselves as single family offices and better understand what a family office means.

*When single family offices are operating on a large scale in a country known for corruption, how do families operate while staying under the radar?*

Many families break up the assets across the world and across different investment managers so no one party or country knows how much money the family has. For example, one family in Singapore has $40M with a large private bank, $30M in operating businesses, and over $50M in cash. Those are the pools of capital that I know of, but I have only known the family for a few years, so the full extent of their wealth is unknown to me as well. There are some business benefits to being relatively "invisible" and under-the-radar, as sometimes state-sponsored or government-backed cell phone companies or
manufacturing businesses could target a sector if they see that the industry leader of that niche has produced enormous personal wealth in the recent past.

What is the #1 frustration that you hear about while working with families that have over $1B in wealth to manage?

The top challenges we see faced by $1B+ families include access to talent, access to high-quality and well-screened deal flow, and good relationships with partners who understand their business. Where these areas connect is in coordinating a direct investment portfolio, to identify someone who understands what a single family office is and what the family's investment mandate is, but also who has managed direct investments before—or at least a portfolio of a private equity fund—at a high-level can be challenging. Many families want to get to know someone over a year or two at least, if not three to five years, before hiring someone, and this complicates everything as well. Those families with over $1B in assets have exponentially greater challenges. At $1B in wealth, every single family we work with is looking for more co-investment work, or are in the process of an acquisition or preparing for a divestiture, all of them are either looking for talent, or trying to replace someone on their team, and many can barely keep up with the due diligence demands when it comes to selecting public market and hard assets. Even one $1B+ Middle Eastern family that I have gotten to know well doesn't have the resources they claim they need to keep up with their ambitions to invest globally in hedge funds, private equity, hard assets, and operating businesses.

In short, the desire of many families to improve and diversify further often far exceeds their available resources, and this can stress already constrained resources and burn out executives at the top level.

How do families get access to direct investments while still remaining secretive, and can that even be accomplished without hiring an investment banker or third party of any type?

There are four main ways that $1B+ families can gain access to direct investments while preserving their privacy and avoiding hiring an investment banker or third party:

1) Deal Platforms: Right now, there is a horse race to see who can establish the largest, most-trusted deal platform in the world. These are platforms open to just investment bankers, family offices, M&A consultants, etc. and they often cost $3K-$15K/year to gain access to. This is a place where you can operate anonymously for the most part, and identify new deal opportunities. Within three to five years, a clear winner and strong #2 player should emerge and make this part of the industry more efficient and productive to use...for now the jury is out on who that will be.
2) Create a Deal-Source Team: Families can steal the operational processes of what my team helps with: crunching data and identifying original deal opportunities. Nowadays, hiring full-time professional staff to comb through private company information within industries such as healthcare, energy, commercial real estate, or hotels is relatively straightforward and inexpensive. It is the due diligence, hands-on business building, etc. that becomes very expensive...but, with organized processes and a good idea of the size of a business and industry of focus, a deal-sourcing team build out is one of the best ways to produce deal flow for a family.

3) Create a Family Investment Club: If your family has made money in the hotel business, why not form a Hotel Investment Club for you and other families who only invest in hotels? This does not require an investment banker and heavy fees; it involves a simple quarterly phone call and bi-annual meetings to discuss investment ideas, co-investment opportunities, and marketplace changes. Even having just three to four families in such a syndicate can be very helpful.

4) Hire a Direct Investment Executive: Many families don't have a full-time executive at the $200K-$500K+ level that focuses 100% of their time on generating new relationships with other $1B+ families and, in turn, co-investment opportunities. Many times, the team is so resource-constrained that everyone is doing many different things, rather than focusing on any one thing, such as managing the direct investment portfolio. There are some family offices that only stick to a few areas of investments in their portfolio, and do have full-time professionals who focus on direct investments, but they rarely are working proactively to develop new family-office-to-family-office relationships as a primary function of their role.

In addition to these four ideas above, of course, a family can hire investment bankers, a merchant bank, a direct investment consultant, or take advantage of syndicates that other families have formed, but hopefully one of the ideas above will get some wheels turning on new ideas for a few single family offices reading this. The challenge of learning more about direct investments and co-investments is that typically the best informed are trying to push a co-investment or direct investment, so they are biased towards working in this area in one very specific way and are not as open to other creative ways to meet the challenge of buying and managing operating businesses.

How can families take a more sophisticated approach to direct investing so it is not done haphazardly; what is the best model you have seen?

This is an area that my team is working to help professionalize and formalize more, and I think there is value in helping lead the way on how co-investment and direct investment portfolios should be managed. I think the most important thing is for families to develop a very specific mandate for what they are looking for and why. They should identify one to three industries (or niches within an industry
ideally), a revenue range, know whether they want minority or majority positions and why, how they will be adding value to these acquisition targets, and what their ideal holding period will be. I believe it is healthy for a family to define this at the same level that a private equity is forced to while explaining to investors what their competitive edge in the marketplace will be. Even if the family may plan to hold most assets indefinitely, knowing what your edge is in the marketplace is important, yet many times can't be easily explained when I ask families about it. The more specific of a target you aim for while making acquisitions, the easier the deal-sourcing gets, because there will only be 20, 50, or 200 such companies many times in the country you are targeting for the investment. You can then develop real relationships and understand that competitive landscape on a granular level much faster than if you try to cover too much ground with a small to medium sized team.

The best model I have seen is a family which is allocating $300M towards one manufacturing niche, and they have provided two partners with exactly 15 bullet points that describe their ideal acquisition target, and know how they are going to be building a platform model with those acquisitions to produce value in that part of that manufacturing niche. They have professional staff in place to help, a few limited partners who they have known for years, and a PowerPoint presentation on exactly what their objectives, goals, and vision is for this portfolio.

So much of investing is team evaluation, you had mentioned before a model your team uses for character analysis, can you share a few comments on that?

The model our organization has been using for years now is something we call the 6 C's of Character Analysis. These include being Committed, Consistent, Can Provide References, Confident Listener, Centered, and someone who is Contributing. We have a full-hour presentation I give on this sometimes at conferences or my own events, but we use it as a cheat sheet to decide who we will do business with. The thesis here is that while everyone says the team is the most important, most decisions made about a team or individual are based on a gut feeling, on subjective emotions, first impressions, or a referral from a trusted partner or advisory board member. We need more objective ways to value the character of business partners and if you look at how committed they are, how consistent they act, the quality of their references, their ability to listen to you and others, and how helpful, insightful and contributing they are to partners and their industry at large, you can rank and evaluate teams in a more objective fashion. This is important while acquiring operating businesses, hiring talent for a family office, or working on co-investments with other families.
These are the 6 C’s of Character Analysis we use in our business.

**What is the most counterintuitive lesson you have learned from working on mandates for the largest families?**

I believe the #1 lesson which surprises investment bankers or merchant banks who want access to some of our $1B+ families is that these families can be relatively thrifty and cost sensitive. If something costs $400/month or $1k/month, they want to know why they need to pay for that and why it isn't free, or why it is required to do business. One $1B+ family patriarch who we are introducing to a direct investment right now has recently "been caught" washing out a used plastic bag so it could be re-used and not discarded. The media likes to focus on waste, extravagance, tax evasion, and private jets, but many families are generous, thrifty, creative, entrepreneurial, and host a number of additional qualities not covered as often in the major news outlets.

**Conclusion:** $1B+ families are all around us. These families are behind the charities improving our societies, large businesses that deliver goods and services to us, sports franchises that we love (or hate), politicians, venture capital firms investing in technologies and innovations that change our lives, and the brands we see advertised on TV. They are seen as secretive, yet at the same time, their influence is omnipresent in society. If you run a single family office with close to or more than $1B in assets and would like to be introduced to other billionaire families please let us know.

**4) Family Office Benchmark Statistics**

We are conducting an ongoing family office benchmark study, to date, we have 181 responses, and we expect to reach our goal of 500 responses by the end of 2015 with the help of our single family office network. If you would like to participate, please visit [http://SingleFamilyOffices.com/Survey](http://SingleFamilyOffices.com/Survey)
Current Family Office Survey Results: Please find below summary data on the results of the survey to date. While some of these data points are referenced and included in a few previous sections of the book, we thought presenting them all together here in one place would be useful for some readers who want to access this data later as a reference point. I hope you find these data points as interesting and useful as we have.

What % of your investment portfolio do you have allocated to the following areas? (Totals should add up to 100%)

<table>
<thead>
<tr>
<th>Answer Choices</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Investments (Operating Businesses)</td>
<td>68.83%</td>
</tr>
<tr>
<td>Long Only/Stocks/ETFs/Mutual Funds</td>
<td>79.33%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>64.88%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>55.31%</td>
</tr>
<tr>
<td>Real Estate (&amp; other Hard Assets)</td>
<td>79.33%</td>
</tr>
<tr>
<td>Other (Please specify as possible)</td>
<td>48.60%</td>
</tr>
</tbody>
</table>

Which of the following does your family office have in place?

<table>
<thead>
<tr>
<th>Answer Choices</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisory Board</td>
<td>38.55%</td>
</tr>
<tr>
<td>Formal Investment</td>
<td>39.66%</td>
</tr>
<tr>
<td>Independent Investment</td>
<td>44.69%</td>
</tr>
<tr>
<td>Direct Investment</td>
<td>35.20%</td>
</tr>
<tr>
<td>Dedicated Office Space</td>
<td>56.98%</td>
</tr>
<tr>
<td>Professional Staff from...</td>
<td>56.42%</td>
</tr>
<tr>
<td>A Formal Family Chart...</td>
<td>32.40%</td>
</tr>
</tbody>
</table>
Please rank the following by most to least valuable for connecting with other ultra-wealthy families and family offices:

Answered: 179  Skipped: 2

When investing in an operating business, do you prefer to be a minority investor or majority investor who takes control of the business?

Answered: 178  Skipped: 2
What size of direct investments or co-investments does your family office target?

- $500K-$5M Size Investments
- $5M-$10M Size Investments
- $10M-$25M Size Investments
- $25M-$100M Size Investments
- $100M+ Size Investments
- Other (please specify)

Answered: 179  Skipped: 2

If you would like to participate in this survey, please visit
http://SingleFamilyOffices.com/Survey
Richard C. Wilson helps $100M+ net worth families create and manage their single family offices and currently manages 14 clients including mandates with three billionaire families and as the CEO of a $500M+ single family office and Head of Direct Investments for another with $200M+ in assets. Richard is also the founder of the Family Office Club, the largest membership-based family office association (FamilyOffices.com), along with equity holdings in the training, single family office management (SingleFamilyOffices.com), investment conference, search, data research, physical bullion, private equity (PrivatEquity.com), food, and energy industries which do over $10M a year in combined revenue.

Through operating the Family Office Club Association Richard has created the first platform business focused on the family office industry. He has spoken at over 150 conferences in 17 countries, has the #1 bestselling book in the family office industry, The Single Family Office: Creating, Operating, and Managing the Investments of a Single Family Office and a recently released book called How to Start a Family Office: Blueprints for Setting Up Your Single Family Office. Richard has his undergraduate degree from Oregon State University, his M.B.A. from University of Portland, and has studied master’s level psychology through Harvard’s ALM program while previously residing in Boston. Richard currently resides 10 minutes from downtown Miami on the island of Key Biscayne, Florida with his wife and two daughters.

Learn more about working with us at http://FamilyOffices.com or learn more about how to get help forming your single family office at: http://SingleFamilyOffices.com

The Family Office Club is:

1. The largest membership-based association in the family office wealth management industry with 103,000 members
2. FamilyOffices.com is the most visited web property on the internet which focuses exclusively on the family office industry.
3. Richard has written the #1 bestselling book on family offices called The Single Family Office: Creating, Operating, and Managing the Investments of a Single Family Office. This book took 700 hours to write, includes 30 interviews with single family offices, provides you with 40 bonus videos of content, and cost 99 cents in Kindle format or $7 for paperback.
Charter Membership in the Family Office Club

Building relationships with family offices requires a necessary investment in your team, your offering, and a constant refinement of how you become more relevant to family offices over time. The Family Office Club’s Charter Membership acts as a catalyst to connecting with more family offices through our live family office investor conferences, detailed global family office investor directory, and Qualified Family Office Professional (QFOP) training program. Download Charter Membership Brochure (PDF)

The Family Office Club is the #1 largest association in the industry, with over 1,000 registered single and multi-family office members globally. We have grown this membership by building up intellectual property assets and resources and now are proud to be able to objectively show that we have the most popular conference series, paperback book, podcast, website, and training & certification program in the family office industry.

If you zoom in below you can see the huge value we have built into charter membership, and you can learn more about the membership on our website here: http://FamilyOffices.com/association

| Access All 30 Annual Family Office Club Events & Workshops | Non-Members | $995 Per Event |
| Family Office Investor Lead Directory Access | $1,750 - $4,750 | Free 1,000 Firm Multi-Family Office Database, and then one additional directory of your choice per quarter |
| Free Participation in the Qualified Family Office Professional (QFOP) Training Program | | $995 |
| Master’s Certificate in Finance (Finance Training Society) | $1,995 |
| 30% Off Conference Speaking & Exhibit Table Sponsorship Costs | | 30% Off Public Pricing |
| Library of 25 Past Webinars & Ongoing Live Monthly Webinar | $2,500 |
| Family Office Monthly Newsletter Subscription (PDF) | |
| Listing in FamilyOffices.com Service Provider Directory | |
| Family Office Investment Portfolio Benchmarking Study | |
| Post Contract to 100,000 member Family Office Club | |
| 35 Minute Capital Raising Audit | |

To learn more please visit: http://FamilyOffices.com/association

If you have any questions about the Family Office Club Membership platform please reach out to Sophia Akom our Membership Director at (305) 503-9077.