

## Family Offices - Way beyond Wealth Management

by Rajmohan Krishnan, 15th Feb, 2017

■ Family Office

*It's a myth that the Family Office is an extension of Wealth Management. In reality, Wealth Management is but a small subset of the Family Office model of financial management.*

Meeting a Wealth Manager is like visiting a high-end ice-cream shop. You will be shown a flavourful exhibit of financial instruments such as equity, debt, real estate etc. You will even be allowed to mix and match these flavours in pre-determined proportions. But as an elite client, you are looking for much more. While shopping for an ice-cream, you want a flavour that brings back memories of childhood summers and the musty comfort of grandma's lap. No ice-cream shop can offer a solution so customized.

The same goes for Wealth Management firms. It is in the nature of their business to design products that appeal to the largest possible audiences. Their business is transactional and therefore they have to maximize the number of transactions they conduct. That's why a typical Wealth Manager caters to dozens of clients. All he needs to know about the client is her quantum of investment, risk appetite and strong dislikes. And in crunch situations, even the best Wealth Managers must be loyal only to the person paying them. That's their employer, not the client.

In contrast, the Family Office Investment Advisor (FOIA) is paid ONLY by the client, and he makes it a point to, first and foremost, know the client. This includes knowing the client's family, her ambitions, her lifestyle, her vision for the wealth, her latent desire to impact society and her emotional state of mind in business matters.

The superiority of the FOIA model can be measured in three dimensions:

### 1. Depth of the relationship

FOIAs like me feel responsible for the welfare of the client's family, and not just her financial growth. For instance:

- If my client is a major stock holder in his own companies and is also exposing himself to risky ventures elsewhere, I will make it a point to eliminate both equity and risk from his portfolio. Safety first will be the motto followed on behalf of this client. No temptations prevent me from doing so – I don't get paid a commission for investing on his behalf

- You may have heard of a well-known entrepreneur being drubbed by the media recently for being excessively greedy. The person in question probably acted out of the best of intentions, but did not realize that their actions would be misinterpreted. A sound FOIA would have known cautioned them of this possibility. For the FOIA, the buck doesn't stop with the buck. Reputation and welfare of the client remain his paramount concerns

In both examples, the FOIA is taking a stance against pure financial gains to preserve something a lot more precious to the client.

### 2. Uniqueness of the relationship

The uniqueness of the relationship is reflected in the high degree of customization the FOIA offers the clients:

Many business families feel the need for a Family Constitution that lays down roles and responsibilities of individual members as well as the

- privileges and powers accorded to them. An FOIA will be able to sit with the family and help them put together such a Constitution
- Meanwhile, some families might want to groom their next generation from the very beginning. That's why the FOIA offers a mentoring program that begins at a tender age and continues till the children stabilize themselves in their careers
- The FOIA is also available for counselling and advice when a family is considering the launch of a new business enterprise

None of the solutions above can be off the rack. This is bespoke expertise.

### 3. The completeness of the solution

By now, it's becoming clear that an FOIA offers a comprehensive array of solutions. This includes low-end clerical tasks such as monitoring the inflow and outflow of money as well as high-end strategizing. The FOIA manages the client's entire wealth portfolio, helps her identify and invest in her most appealing philanthropic mission, creates a succession plan for her, files her tax returns etc.

In short, an FOIA helps a client accumulate wealth, preserve it, grow it and also spend it in the most constructive and joyful manner possible.

### In conclusion

Recently, the media covered another story. That of a board member divesting in his company's shares and forgetting to notify the exchange. A Wealth Manager might omit to perform this mundane task of compliance, but an FOIA gets paid to think of any transaction inside and out. Thus, the client can sleep soundly knowing that somebody else is watching out for danger on her behalf.