

Managing Your Millions

Trends Affecting Private Wealth Management

High net-worth clients tend to have Family Offices to manage and recommend on their private wealth and other family matters. Family Offices may deal with staffing for families as well as finances and investments, including budgeting, insurance, donations, family-owned business, wealth transfer and tax. Family Offices also ensure due diligence and strategize on wealth distribution and succession.

This article assesses recent trends affecting Family Offices, including the rapid growth of the Family Office industry, the sustaining impact, services provided, outsourcing and hedge funds or other alternative investments.

Multi-Family Offices that operate similar to traditional private wealth management practices with multiple clients, are becoming more common because of economies of scale as high costs of technology and consultants can be spread among several clients. Extremely high net worth families often prefer a Single-Family Offices partly due to the need of Family Offices to grapple with a range of issues and the following trends are becoming generic, changing practice. Below are three trends affecting Private Wealth Management.

Growth in high-net-worth families

There are a growing number of high-net-worth families around the world and in most developed nations. Simultaneously, many emerging economies are thriving, with annual growth rates of 4-8% (Wilson, 2014). By 2015-2020 it is predicted that China's upper class will be larger than America's middle class and growth in China, Brazil, India and Russia will ensure that the Family Office format of wealth management services grows in popularity over the next five to seven years (McKinsey and Company, 2014). There is also a growth in competition in the GCC (Booz and Company inc., 2009) requiring different tactics in business and wealth management. Emotional attachment to early family businesses can hinder retention and growth of wealth; it is recommended that change agents, who understand cultural nuances and whose values resonate with the family values, are required as well as formal governance structures to oversee family business activities. Management of transition is paramount. In addition, making a distinction between family investments and individual investments as well as individual philanthropic ventures is recommended for long-term success.

Profitability

While the average person might appreciate saving hundreds or even thousands in fees each year, through, for example, on-line facilities with wealth management firms, many affluent individuals would much rather spend on ensuring that experienced, ethical professionals are managing their strategy in synergy with their specific financial and other goals. Family Offices are becoming the common answer to the demand for complex wealth management.



Increased Efficiency

In addition to investment and finance-related services that Family Offices provide, there is a move towards other services that are not available within private banking or traditional wealth management settings. In family businesses, democratization may require new talent or services may be outsourced to consultants. This may include developing competency frameworks linked to performance appraisals, reducing an automatic entitlement to family wealth.

Entrepreneurial activity is growing and 'relentless entrepreneurialism', where there is a focus on constantly engaging in new ventures which may or may not be linked, must be avoided. This may have worked in the past but strong economic growth, limited competition, and plentiful capital are no longer guaranteed.

Final Thoughts

A well-developed, progressive investment platform at a Family Office can help ensure global competitiveness, transparency and diversity. Knowing these trends and changing your offices to accommodate them can retain and grow your family businesses despite the demanding landscape.

Booz and Company inc. (2009) <http://www.booz.com>
McKinsey and Company (2014) <http://www.mckinsey.com>
Wilson, R., (2014) <http://www.investopedia.com> **BIG**



Dr. Clare Beckett-McInroy EdD,
PCC is an Organisational and Executive Coach (PCC with ICF), President of Bizladies GCC, Coach Trainer (ILM Level 3 Awards and Certificates) and Author of *Coach Me Networking Know How* soon to be published...