FAMILY OFFICE

The crisis has changed the game in favour of Family Offices

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The latest study by the consultancy PricewaterhouseCoopers (PwC) proves it: the crisis has left deep marks among the clientele of the private banks. These clients feel wounded and have been confronted with disillusionment over financial institutions. Stung by the stock-market collapse and its disastrous consequences for their assets, clients are now on their guard; they demand higher standards in terms of services and advice and call for greater transparency and simplicity. This mistrust of the traditional banks is all to the benefit of advisers of a new kind: the Family Officers.

Unlike the private banker, who acts above all as a wealth manager essentially oriented towards financial investments, the Family Officer plays more the role of a global financial adviser and touches on practically everything the concept of wealth encompasses: from wealth management to corporate governance, by way of family policy, legal advice, tax advice or wealth-structuring engineering. This is why, at Fuchs & Associés Finance, we prefer to speak of a Global Family Office (see diagram). This overall view enables the Family Officer to give his client the right advice, suited to his situation, and at the right moment.

The private banker will often have only a fragmentary view of his client's situation. This observation is all the more true today: since the recent financial crisis, a great many wealthy clients have in fact scattered their assets across several banks. In these conditions, the Family Officer will be best placed to have a consolidated view of his clients' wealth, thanks to the privileged relationships he maintains with them.

Another notable difference from the private-banking adviser of the banking institutions: the number of clients. The Family Officer generally has a much smaller clientele. Knowing the various aspects of his clients, building with them a strong, lasting relationship based on trust, and offering them tailor-made solutions that cannot be applied to others, demands a great deal of time on the part of the Family Office adviser. The perspective is therefore entirely different: the aim is not to serve the widest possible clientele but, on the contrary, to serve a limited number of clients as well as possible.

The CEO of families

But the Family Officer's true strength, compared with traditional advisory structures, lies above all in his absolute financial independence. In the purist model, the Family Office adviser is remunerated exclusively by the families he serves and receives no commission from the designers of investment products or from the other suppliers of goods and services that he presents to his clients. The Family Officer is, in a sense, the CEO (Chief Executive Officer) of the families, intervening, in complete independence and while avoiding any conflict of interest, across a broad range of wealth management and administration services. He does not advise his clients directly but chooses for each of them, taking account of their specific situation, the best wealth specialist, the best banking relationship, the best wealth-structuring solution, the best tax-optimisation system, and so on. He also analyses the cost structure associated with these various services and negotiates, for each of his clients, the best terms with the different suppliers, and in particular with the banks.

In other words, the Family Officer identifies his clients' various investment objectives, determines the most appropriate asset-allocation strategy for each of them, and selects managers and experts for their performance and their quality in monitoring risk. Because of their structure, the banks cannot offer such a broad panel.

Bright days ahead

An overall view of wealth, greater proximity based on a relationship of mutual trust, complete independence from all providers of goods and services: the Family Officer does not lack assets that will, in the future, appeal to an ever-growing number of wealthy families, badly shaken by the financial crisis.

And this is only a beginning, for the market is still set to undergo significant change in the years ahead. The banks will increasingly become suppliers of financial products, specialised in each asset class, while advisory professions, more personalised and more targeted, will fall increasingly to other professionals of the financial sector, such as wealth managers, independent advisers... and Family Officers.

New niches will soon open up in which players such as Family Officers will also have a card to play. Thus, with the eventual disappearance of banking secrecy in the Grand Duchy, many clients will be led to reorganise, regularise and tax-optimise their wealth.

Since its creation in Luxembourg in 2000, Fuchs & Associés Finance has clearly been part of this movement to develop the Family Office in Europe. Well before the financial crisis, we broadened our offering to multi-service wealth management and to the Global Family Office. Our structure now welcomes not only Family Officers but also senior private or corporate bankers (wealth managers). Having established ourselves solidly in the Grand Duchy, we opened our offices in Brussels and Geneva in 2008.

Thus, with the reach of our network and the enticing prospects for our profession that have just been described in this article, we have more reason than ever to believe that our best days are still ahead of us.

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