FAMILY OFFICE

The Family Office: a promising avenue for Luxembourg?

Interview with Diana Diels-Kneip, Deputy Director & Board Member, Fuchs & Associés Finance

Wealth management is by no means the preserve of private banks, far from it. Other, smaller and more agile entities offer the same type of services, often with a broader and more personalised range: the "family offices". To tell us more, we met Diana Kneip-Diels, deputy director and board member at Fuchs & Associés Finance, an independent European group specialising in multidisciplinary wealth management and headquartered in Luxembourg.

AGEFI LUXEMBOURG · 2009

What is meant by a Family Office?

A Family Office is a set of tailor-made services for families with substantial wealth. The degree of involvement of the Family Officer is currently the subject of debate between the purists and the advocates of the American model. The former consider that it is above all a liberal profession, which should be limited to advisory activities and not asset management, in order to avoid any conflict of interest. The latter, on the contrary, believe that Family Officers must be able to manage the assets entrusted to them. This latter conception is, in my view, more consistent with reality, given that the Family Office emerged around the 19th century in the United States, when the Rockefeller family created its own investment office to manage its wealth and its accounts. Not managing the assets is therefore viewed very negatively by wealthy American families. They feel sufficiently equipped to monitor their Family Officer's management methods and to detect any possible conflict of interest.

What are the primary objectives of a Family Office service centre?

In any wealthy, entrepreneurial family, one generally distinguishes three components: the business, the shareholding and the family nucleus itself. In many cases, this last component is the least well organised and the least well equipped to preserve and grow the capital. The Family Officer's mission is precisely to ensure a global oversight that takes account of the family structure and to grow the wealth from one generation to the next, while preserving the interests and harmony of the family as a whole. I stress this notion of global management a great deal, because it is truly the foremost characteristic of this profession. That is why I prefer to speak of a Global Family Officer.

What qualities must a Family Officer possess to practise the profession properly?

I believe that the Family Officer must first and foremost be a seasoned professional in Wealth Management. For me this is the most favourable model, and it is the one we apply within our company. We recruit only senior private bankers, wealth managers who come from international private banks. Through their profession, they have acquired experience in every aspect of a family's life: from the birth to the death of the various members who make it up, from the creation of the business to its transmission to the next generation or its sale. In addition, they have a well-stocked address book and know exactly where to find the best specialists or service providers according to the client's needs. This expertise is indispensable for anyone wishing to practise the profession of Family Officer or Global Family Officer. He is the central coordinator, for the family, of a whole range of services extending from wealth management to advice on funds and SICAVs, by way of the management of banking and insurance relationships, corporate governance, family policy, real-estate management, legal, tax and financial advice, wealth-structuring engineering, advice on mergers and acquisitions ("M&A") and advice on Private Equity. Not to mention other services that are not directly linked to financial and wealth matters, such as concierge services (arranging personal and professional travel, paying invoices, putting permanent or temporary staff in place, and so on).

How can the independence of the Global Family Officer be guaranteed?

By operating on the principle of open architecture. I know the term is often overused, but it corresponds exactly to reality in this case. All the services I have just described are provided by external service providers, even though, as far as our company in particular is concerned, we have the necessary know-how in-house thanks to the diversity of our managers. Moreover, our Global Family Officers are themselves independent. They all have an entrepreneurial spirit, work on their own account and choose the external providers best suited to their clients. And all this in complete transparency and without any conflict of interest: clients receive a detailed breakdown of every amount charged to them.

How does the relationship between a Global Family Officer and his clients work?

He is above all the person of trust, the trusted advisor. Together with the families he defines his mission and objectives within the framework of a family charter that he undertakes to respect, and he helps them choose the most relevant solutions, best suited to their needs, from among the many products and services on offer in the market. In permanent interaction with his clients, the Global Family Officer not only acts as a mediator between the various parties involved but must also be proactive. In other words, anticipate the questions that families have not yet asked themselves, and answer them!

How do you see the future of the Family Office?

The Family Office is still only in its infancy in Europe, and in Luxembourg in particular. The profession is not yet professionalised and does not benefit from any specific regulation in the Grand Duchy. Anyone can proclaim themselves a Family Officer overnight! This regulation will nevertheless have to be put in place sooner or later, because I am convinced that the prospects for the development of the Family Office in this country remain promising. The recent financial crisis has demonstrated this once again: more than ever, relevant, personalised advice given in complete transparency and independence will be, in the future, the principal added value of Luxembourg's financial institutions. In this respect, Family Office service centres, with their highly qualified managers, perfectly abreast of the latest financial and wealth innovations, who have always prioritised the preservation of wealth over financial speculation, have a card to play.

Apart from specific regulation of the Family Officer profession, what else can the government do to encourage the development of the Family Office in our country?

Amend the legislative and tax framework and, in particular, allow the existence of philanthropic family structures such as trusts and private foundations. For the moment, we cannot offer this type of service in the Grand Duchy, unlike the other countries where we are established, such as Switzerland or Belgium.

> *The Global Family Officer is the central coordinator for the family, the person of trust, the trusted advisor.*