FAMILY OFFICE

# *The Family Office: a nerve centre in the organisation of family wealth*

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> *"Money is one of the very few things that interests those who have it as much as those who do not."*
>
> *— John Kenneth Galbraith*

*For many players, the Family Office represents a new opportunity, but it requires complete independence. Luxembourg holds all the cards to become a benchmark centre in Europe. Alongside specialists in wealth-, succession- and tax-structuring engineering, corporate governance, private equity, M&A, and legal and financial advice, the Grand Duchy will have to develop lines of work, regulations and specialisations in wealth management, in governance and family policy, and in philanthropy and the private foundation.*

The activity of the Family Office, the office managing wealthy families, long remained in the shadows and dormant, while nonetheless being an integral part of wealth management in the broad sense. The recent hyper-exposure in the media of certain representatives of these families has raised questions about their exact role on the one hand, and about the content of the relationship with families on the other.

The Family Office, defined as the fourth pillar of the financial centre, is not to this day a directly regulated activity in Luxembourg or in Europe; however, indirectly, it goes without saying that most of the external advisers involved are, for the majority, subject to various professional and ethical obligations that it would be advisable to bring together and rationalise. Nevertheless, initiatives exist whose aim is to federate the various players of this market around common ideas and conceptions, in order to converge towards a single status and body of rules. It is in this context that a new association named Luxembourg For Family Office (L.F.F.O.) was constituted on 17 November 2010.

The trusted advisor (the person of trust) of the Single Family Office (SFO) or the Multi Family Office (MFO) has an obligation of objectivity that inevitably leads him to work in open architecture in order to meet his clients' needs.

The founding members of this new association start from the principle that many players use the term and market the Family Office without truly taking into account the two indispensable fundamentals of this activity, namely independence and the absence of conflicts of interest.

From this stems a desire to define rules of conduct for the activity through a charter, in order to give it a legitimacy recognised both by the players themselves, the association's members, and, towards the outside world, to ensure better protection of the interests of those who use this type of service.

To support the development of this profession, it is essential to create an entity within the university that awards a recognition such as the "Certified Chartered Wealth Manager".

## Single Family Office (SFO)

This private Family Office is dedicated to a single, specific family. It is an office of roughly one to ten people, bringing together in particular a person of trust (trusted advisor) and other dedicated people such as, for example, a tax lawyer, a manager or an accountant, all remunerated by the family and entirely at its service. The family alone finances the permanent operation of the team. This trusted advisor defines, together with the family, his mission and objectives within the framework of a family charter that he undertakes to respect. 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. He assists the family in the face of the growing complexity of regulations, the multiplication of possible solutions, and the internationalisation of family situations or of the assets held. He will assist the family in the selection process and in the analysis of the responses and products proposed to it. He reflects on solutions and anticipates future needs, potential difficulties and the innovations that will affect the family wealth. The Family Officer is generally linked to the family or to a family holding company, either as an employee of a family entity or as an independent consultant.

## Multi Family Office (MFO)

The Multi Family Office is not dedicated to a single family. It is, rather, an independent firm employing multidisciplinary specialists who work full-time for several families. This structure features a strong outsourcing of activities, a pronounced coordinating role and a large workforce. The specialists have an extremely close relationship with the family but do not have the same personal intimacy with each of the family members. The Multi Family Office can be created from a SFO that wishes to pool costs by opening its services to one or more other families. Professionals working in a financial institution who have privileged relationships with several families can create a Multi Family Office. A financial institution can also develop this specific activity, to meet the family's needs, within a separate entity.

The Family Officer is the central coordinator for the family for the following services: tax advice (national and international taxation, lump-sum taxation, consolidation or reporting, tax planning, tax domicile); wealth advice (wealth analysis, wealth management, consolidation, reporting); succession planning (wills, transmission, gifts, inheritance, restructuring of wealth by means of trusts, companies and family foundations); fiduciary functions (corporate foundation, insurance expertise); family governance and policy (defining the roles of family members), organising the life of the generations (schools, sporting events, etc.); real-estate advice; art advice; risk-management advice; and philanthropy.

## Members of Luxembourg For Family Office

Full members of the association are the natural or legal persons who carry out a Family Office activity. Partner members are any natural or legal person who carries out an activity connected or complementary to that of the Family Office and, more generally, any natural or legal person whose activity is likely to be of interest to that of the Family Office (for example, independent managers, domiciliation agents, fiduciaries, and so on). The association is open to any collaboration with other associations in Luxembourg or abroad.

The purpose of the association is: to contribute actively to the promotion and development of Family Office activities in Luxembourg and to create relationships outside Luxembourg; to facilitate and organise the relations of the professionals concerned by Family Office activities, by being a support for any initiative, and to organise and conduct relations with connected or neighbouring professions; to maintain a professional relationship of trust with the various supervisory authorities, such as the Institute of Company Auditors (IRE), the Commission de Surveillance du Secteur Financier (CSSF), the Order of Chartered Accountants, or that of Lawyers; to deliver a high-level recognition of expertise and an assurance of independence proper to all advice for the professionals of the Family Office profession, so as to structure the profession around a "best practice" standard; and to organise seminars and conferences, publish information, and exchange and organise training with universities or other schools. The association will use the new means of communication of the Internet type, and their developments, to promote its actions.

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