

Multifamily Offices

OUTLOOK 2007

As the population of wealthy individuals and families has increased in recent years, so has the number of **Multifamily Offices**, highly specialized firms that serve their complex needs. The following pages survey the current state of the Multifamily Office (MFO) and showcase a select group of MFO firms. The section opens with highlights from The Family Wealth Alliance's third annual Multifamily Office Study, which includes an overview of trends in MFO services.

MFO firms featured in this section include:

Asset Management Advisors | Athena Capital Advisors | Calibre
Harris MyCFO Inc. | Lau Associates LLC | M Financial Group
Nease, Lagana, Eden & Culley | Oxford Financial Group
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THE STATE

of the MFO Industry

Findings from the
Third Annual Multifamily
Office Study Show
Vibrant Firms Responding
to Client Needs.

IT SHOULD COME AS NO SURPRISE THAT the ranks of the ultra-affluent are growing. Indeed, a recent report by Cap Gemini estimates there are about 85,000 people worldwide whose net worth exceeds \$30 million.

Now comes good news for highly affluent families seeking to bring skillful management to their complex affairs: The emerging multifamily office (MFO) industry continues to grow, offering a wide range of personalized services and maintaining rigorous standards to meet the expectations of its wealthy clients. At the same time, these firms are striving to attract key talent with the high level

of expertise needed to advise clients and distinguishing themselves by emphasizing their holistic approaches to dealing with the complexities and needs of multigenerational wealthy families.

Those are among the findings of the Third Annual Multifamily Office Study conducted by The Family Wealth Alliance, an Illinois-based consulting and research firm that is an independent and objective resource to private families and the firms that serve them. The Alliance studied 68 MFOs whose total assets under advisement grew by 15.6 percent to \$226.5 billion in 2005, the most recent year for which statistics are available.

To put that in perspective, says Thomas Livergood, the Alliance's chief executive officer, consider that the \$35 billion in growth was enough to create a multifamily office firm larger than the comparable unit within U.S. Trust Co, twice that of Rockefeller & Co. and more than four times that of Sun Trust's multifamily office subsidiary.

The Alliance's study drew three primary conclusions about the nascent multifamily office industry: MFOs are honing their service menus to keep up with the individualized needs of affluent families. The firms are largely succeeding in offering independent and objective advice, rather than directing clients toward "in-house" investments and products. And they represent a fresh alternative when it comes to family office services, thus creating more choices but at the same time, increased confusion.

In surveying 68 leading MFOs across the United States, the Alliance's study found that the average client family of these firms had assets under advisement of \$55.3 million. That was up from \$48.1 million in the previous year.

"Based on this study, we believe that these MFOs offer those private families a unique set of services that are broader, more sophisticated, highly integrated and customized to a their needs," says Thomas Livergood, the Alliance's chief executive officer. "We have also concluded that, as a group, these firms are offering families more independent and objective advice. They are driven by the agendas of their clients and, in most cases, act like a single-family office devoted to the specific needs of an individual client."

One of the most interesting findings of the study, according to Robert W. Casey, the Alliance's senior managing director

for research, is that MFOs are "offering fresh new alternatives for their clients."

"Alternative investments—hedge funds, real estate and private equity—have been especially strong," says Casey. "We're also seeing an increase in certain specialized services offered by MFOs. Family governance and life management (bill-paying) services are on the rise. And family education is becoming an increasingly popular service. This can cover everything from resolving intergenerational conflicts to maintaining the continuity of the family enterprise."

Among other findings in the Alliance's study:

- **Client fees:** The study found that the typical client with \$50 million under advisement with an MFO would pay an average asset-based fee of \$273,000 a year. The bill for a \$100 million client would be \$469,000. More than one-third of the MFOs surveyed require a minimum net worth for new clients. For firms that require them, the minimums vary with the size of the MFO. The largest MFOs (\$5 billion and more in assets) look for a median net worth of \$50 million, assets under advisement of \$17.5 million and a minimum fee revenue of \$100,000 a year. Smaller firms (less than \$500 million in assets) require a minimum net worth of only \$8.4 million, assets under advisement of \$4 million and an annual fee revenue of just under \$50,000 for new clients.

- **Multigenerational families:** Most MFOs derive the bulk of their assets and revenues from multigenerational families—on average about 85 percent of total assets and 65 percent of revenues. Indeed, about one in four MFOs (26.2 percent) are owned wholly or in part by families they serve.

- **Investment trends:** During the 2005 surveying period, MFOs reported noteworthy shifts in their investment portfolios—away from individual securities and toward co-mingled investment vehicles such as exchange-traded funds.

- **Outsourcing services:** As a general rule, MFOs are stepping up their use of outsource service providers. For example, financial planning is now offered in-house by 86.2 percent of firms, down from 92.9 percent of firms in the previous study. Estate planning is outsourced by 30.4 percent of firms, compared to just 15.7 percent in the previous study. The study also shows that some widely offered services are barely used by clients. Bill paying, for example, is only used by 6.9 percent of clients, although it is offered, either in-house or outsourced, by 75.3 percent of firms.

- **Mergers:** While the merger scene in the industry has been relatively quiet, it could be heating up. More than a third (36.4 percent) of the respondents at firms with more than \$5 billion in assets say their organizations are likely or somewhat likely to acquire a smaller firm in the near future.

Despite, the growing prominence of MFOs, the industry is a relatively new phenomenon and not wholly understood by its potential clients. All in all, says Livergood, when it comes to choosing an MFO, many wealthy families "continue to have a hard time separating the quality firms from the pretenders."

"And even among the quality firms there are many different flavors," says Livergood. "Before choosing an MFO, a private family needs to study the industry, know who the players are and do the necessary due diligence to guarantee a good fit."

Athena Capital Advisors

Trusted Counselors to Very Wealthy and Sophisticated Investors

Athena Capital Advisors specializes in highly sophisticated portfolio planning and management for very high net-worth individuals and families, who are familiar with the realities of public securities investment and seek extra return and risk management through alternative investments. Athena Capital Advisors is also skilled in matters of generational wealth transfer and charitable giving.

Athena is substantially different from conventional “high net worth” management typically offered by Wall Street investment banks, commercial banks, trust companies and private investment firms. No “paneled conference rooms” and “dog-walking,” only the type of investment professionals, acumen, analysis, research, execution and performance that the top partners of the most successful investment firms command for their own accounts.

Athena’s typical clients have more than \$100 million in liquid net worth and many of the clients are the general partners of highly successful hedge funds, private equity funds, real estate investors and investment managers. Ideal clients for Athena are sophisticated

investors in their own right, often with complex balance sheets, who need planning, portfolio management and risk management with special attention to taxes.



Dr. Lisette Cooper and Ken Cooperman direct the MFO initiatives of Athena Capital Advisors.

Athena was founded in 1993 by Dr. Lisette Cooper and has a staff of 30 professionals entirely focused on a small group of clients. Athena acts as the Chief Investment Officer and trusted counselor. Athena does not offer

products, or “off-the-shelf” portfolio designs and believes in open architecture. Each client’s portfolio is custom designed and implemented to their individual needs for return, risk management, cash flow and taxes. Clients’ needs and portfolios are viewed as dynamic and ever changing. Accordingly, Athena manages each one on a daily basis with every client team.

Athena’s investors retain the firm for a variety of services from full portfolio management to specific areas. Athena has unusual experience in alternative investments including the design and implementation of specialized portfolios of hedge funds and private equity funds. Deploying capital with these types of in-demand funds is challenging and Athena offers unusual access to the most superior special investment managers. It also frequently advises its clients on direct investments and questions of finance and investment for their regular businesses.

Athena Capital is open at this time to a small number of additional clients and looks forward to sharing its track record and sophisticated services with those appropriate and interested.

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Lau Associates LLC

Helping Clients Enrich Their Lives And Create Personal Legacies

It was 20 years ago that Judy Lau's first inherited-wealth client walked into her office. From the outset of that visit, Judy knew she was embarking on a path that would change the course of her career and benefit the well-being of her clients.

"I have a passion for tackling many of the obstacles that wealthy families face," says Lau, president and founder of Lau Associates, the nationally recognized Wilmington, Delaware-based multi-family office that advises individuals and families of wealth. Lau has served on the national board of directors for the Institute of Certified Financial Planning and is a trustee of the Financial Planning Foundation. "I recognize and understand the real life issues that confront families; for example, how do you promote family harmony when money can be a lightning rod in relationships? How do you help families navigate the rocky waters that having wealth can generate?"

It is testament to Lau's insight, compassion and skill that those first wealthy clients who started out with her in 1987 are still with her today. The firm prides itself on the fact that its renewal rate among clients is about 98 percent, a most admirable rate in this competitive industry.

With expertise in wealth preservation and protection, Lau Associates provides a broad array of sophisticated strategies and services to help clients manage their financial affairs, improve the quality of



Judy Lau, president and founder of Lau Associates, has dedicated her firm's service to wealthy clients since 1987.

their lives and create personal legacies. The firm takes a unified approach to financial planning, investment management, tax planning, estate planning and strategic planning that enables its clients to see their whole picture and gain greater confidence in their financial decision making. At the center of a client's financial world, Lau Associates provides a streamlined infrastructure, highly personalized advice and coordinated counsel with a client's other advisors.

A key factor contributing to the success of Lau Associates is its ability to develop strong relationships with clients.

They take the time to listen to their needs and understand their unique issues and concerns.

"You need to understand a family's dynamics before you can really be of help. That means sitting down and listening to them, and in some cases acting as a personal counselor to them," says Lau. "Oftentimes, we have wealthy clients whose quality of life is not as fulfilling as it could be. They are doing all the right things with their money and their investments, but they aren't truly enjoying life. So part of our job becomes helping them find something that instills excitement and puts a light in their eyes."

For instance, Lau suggested that a client move her family to Paris for a year. The family loved Paris and went there as often as they could. The children were the right age to attend a foreign school, so they decided as a family to live abroad for a year. It would be a great adventure.

"It really was exciting for them and it created an experience that enriched their lives," says Lau.

Lau worked with another client who loves horses, helping him purchase several horses that had competed in international shows.

"It was a way for him to meet and work with people who shared his passion for horses," says Lau. "It gives us great pleasure to know we are helping people enrich their lives and create personal legacies."

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