



Find Your Quarterback

THE ROLE OF THE FAMILY
FINANCIAL OFFICER

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For many Ultra High Net Worth (UHNW)/founder families, the source of their wealth is often a business the family controls or holds a significant stake in. Most often, those companies have a Chief Financial Officer (CFO) who handles all of the financial aspects of the business, including the tracking of cash flow, short-term and long-term financial planning, as well as analyzing the company's financial strengths and weaknesses and proposing strategic directions for the day-to-day operations of the business.

This person serves a critical role in the professional management of the enterprise that is the source of wealth, and it would only make sense that there would be a similar person dedicated to managing the family's personal wealth. After all, UHNW individuals have a level of wealth that requires an equal level of professionalism and sophistication to manage the affairs of their business-related assets properly. However, when it comes to managing their personal wealth, unfortunately, too many families have not benefited from that level of expertise. They have often relied on their already overburdened business CFO, who, by both background and expertise, is ill-suited to manage the family's personal wealth. Or worse, they try to fill the role of being the CFO of their lives themselves.

When founder families try to become their own CFO, they are often left with an improvised set of solutions that are cobbled together due to the intricacies that their wealth creates. A family member is then tasked with keeping track of the increasing complexity of managing the family's wealth. The proper titling of accounts, personal lines of credit, mortgages, trusts and estates, and financial planning are just some of the issues that need to be managed professionally. Basic record-keeping and knowing where and how to access relevant information can also be challenging.

On the flip side, the professionals that UHNW families work with also operate in silos. They are not set up to provide the required level of coordination. The team of professionals needed to support the UHNW family adequately should, at a minimum, include a financial advisor, attorney, and accountant (a more comprehensive list will be identified later in the article). Someone needs to coordinate so that all team members can work side by side to meet the ever-expanding needs of wealthy families. Someone needs to serve as the Quarterback.

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Why Not Turn to a Multi-Family Office?

There is an expression that “**once you reach a certain level of wealth, the wealth controls you.**” For the wealthiest of families, a solution to keeping one's wealth under control is to set up a family office. The question of what level of wealth is needed to justify the expense differs from what we will address here. However, we do acknowledge that this can be the right solution. Nevertheless, most families whose wealth “controls them” do not have the capacity to set up their own family office. They need more time or expertise to evaluate and hire the proper team to staff their own family office, so they often turn to a traditional cookie-cutter solution.

The caveat to hiring traditional service providers such as private banks and multi-family offices is that they typically implement the same bundled approach for all their wealth management clients. They curate a set of services that they offer to all families, which are included in the fee, regardless of whether they are utilized. If a specific need from a UHNW family falls outside of those services, these firms are often unable to bridge the gap and leave the family to their own devices to find the right solution. Or be stuck with what they have.

For these families, working with a Family Financial Officer (FFO) instead is not a luxury but a necessity.



Throughout this article, we will explore how the FFO alternative can be a means for bridging the gap between a multi-family office and creating a private family office.

Main Concerns of UHNW Families

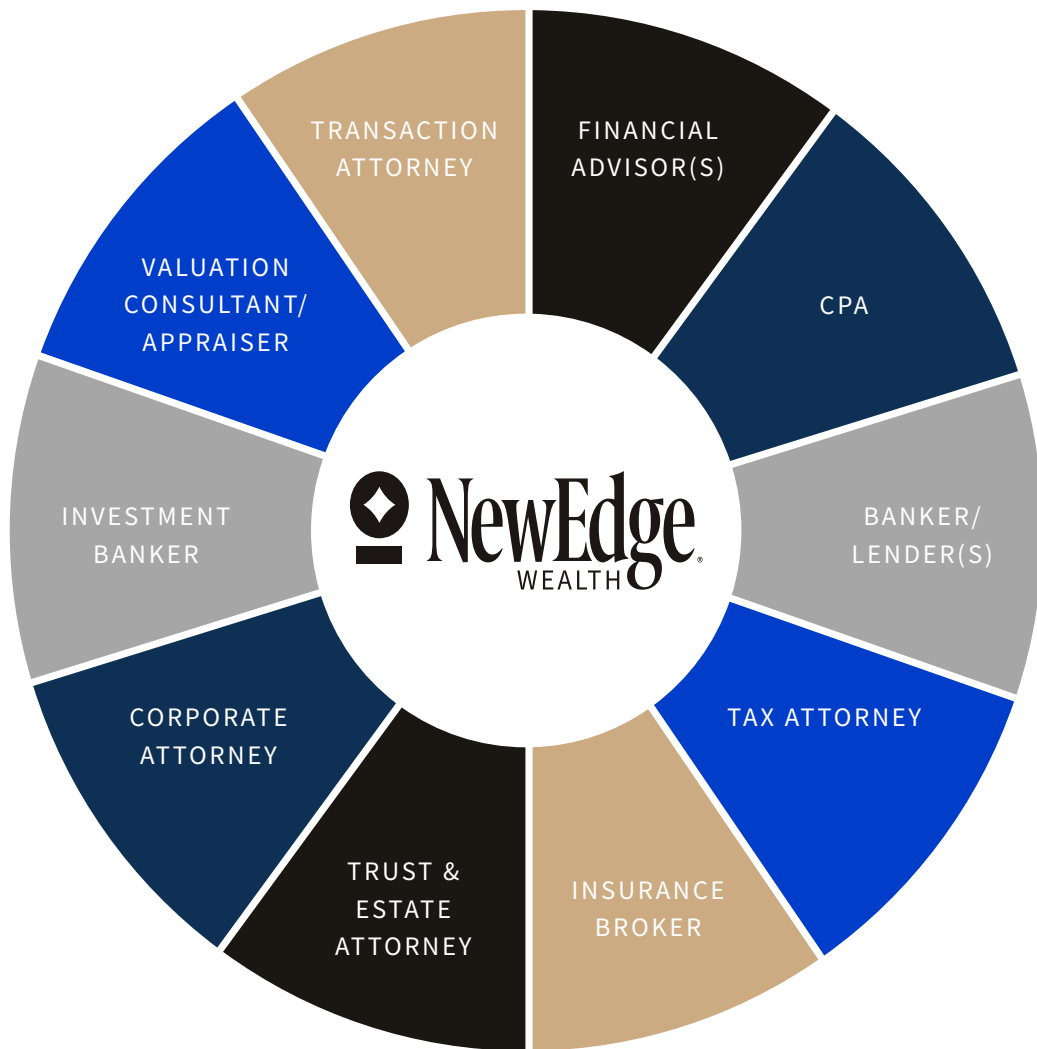
Over the course of many conversations and meetings with our UHNW families, the frustrations that they have expressed are typically one of the following:

- *My wealth manages me these days.*
- *I need more time and expertise to manage the complexity created by my wealth.*
- *I am worried about the transfer of my wealth to the next generation.*
- *I can't view all of my assets in one place.*
- *I am still determining my total net worth and where my exposure to risk lies.*
- *I don't know how much I am paying for my wealth management.*
- *I am overwhelmed with the administrative burden my wealth requires.*
- *I wish someone would take control and reduce the complexity of managing my wealth.*

The most important insight we have gained in dealing with UHNW families and their concerns is that no two families are alike. The complexities that increased wealth bring to families create a snowflake effect. As a result, customization is a sine qua non for managing the family's wealth and alleviating concerns. Just covering the basics includes a focus on the following:

- Best Interests of the Client
- Conflict-Free Advice
- Comprehensive Service
- Investment Management
- Balance Sheets and Net Worth Statements
- Income and Estate Planning
- Insurance: Life and Property/Casualty
- Family Mission Statement
- Family Meetings

A dedicated Family Financial Officer is ultimately the “trusted advisor” who takes all of these notions into account. They serve as the Quarterback of the family's wealth and will facilitate a game plan and an advisory team to execute the plan. A “financial touchdown” requires direction and someone to guide the multiple “players” accordingly.



Who is Managing Your Wheel?

Maintaining the complex affairs of wealthy families requires a team of advisors, consultants, lawyers, brokers, and accountants to cover all grounds. Each relationship requires a significant amount of time, coordination, and effort to work with individually and even more so when two or more professionals are needed. The advice given by each professional quickly becomes a growing list of things you can or should do to ensure the family’s wealth grows. The responsibility becomes your burden, putting you at the center of a continuously revolving wheel.

Here is a list of the suggested professionals who may maintain relationships with UHNW families:

- Financial Advisor
- CPA
- Banker/Lender
- Tax Attorney
- Insurance Broker
- Trust & Estates Attorney
- Corporate/Transaction Attorney
- Investment Banker
- Valuation Consultant/Appraiser

While it may seem overwhelming, that is where a Quarterback can assist. Traditional service providers bundle products as an easy solution. Banks and trust companies, for example, play the scale game and take on so many clients that it often feels like a one-size-fits-all approach. This causes the UHNW family to conform to the limitations of the platform as opposed to creating bespoke solutions specific to them. The only added benefit is a higher degree of service.

Additionally, the conversation rarely moves beyond risk profiles, investment preferences, and cash flow needs with these institutions. The advisors who work on those platforms are allowed access to research and investments curated by their firms and their firms only. This artificial limitation does not operate to the benefit of UHNW families. Consequently, families are left searching for more investment opportunities that suit their needs rather than a fit for the platform provider.

The Role of a Quarterback

The complex needs of founder families do not simply fit into a traditional wealth approach and can feel like trying to fit a square peg into a round hole. Families of this nature require a higher level of advice without the added complexity. They need access to markets and solutions without platform constraints and limitations.

Instead of you or a family member being at the center of the wheel of these advisors and consultants, the Quarterback can take your spot in the center and manage your wheel for you. This solution represents a new and holistic approach to managing family wealth. Data from each trusted partner and service



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provider can be organized and coordinated to better flow across parties. Information will be housed in one location: the “Family Vault.” It can then flow in a coordinated manner to the right place at the right time.

This consolidation process identifies the performance drivers while highlighting other opportunities that can be considered. New solutions and advisors can be introduced into the relationship to address a specific need of the family without adding complexity to the management process.

Ideally, all responsibility should be delegated to the Quarterback who can mitigate complexity and replace it with flexibility and accountability. In a proper assembly, they can be replaced anytime without disrupting the structure or any other part of the wheel. Furthermore, the family can dictate the level of involvement and achieve the right alignment and coordination to fit their circumstances.

In summary, it is your wealth, and you own it. You should be in control and not be overwhelmed by the difficulties that wealth can often create. The Quarterback can act as your advocate and customize a structure specific to the nature of each family. They can also coordinate a comprehensive team that is tailored to meet the family’s specific needs. This allows a single point of contact to coordinate and communicate with all relevant parties.

An awareness of the frustrations expressed by UHNW families when managing their wealth leads to the conclusion that it is time to move beyond the traditional solutions. Selecting a Quarterback is imperative, a must-have, and not a luxury. Families cannot continue to fumble and improvise with ad hoc solutions.

It is a best practice that can lead to a proactive approach. Founder families can be placed on their front foot and find ways to use complexity to their advantage. The solution is at hand, and the time to act is now. Find your Quarterback.



Let's Talk.



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