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For the Wealthy, It's Hard to Find Good Help

Family offices are hiring household help for HNW clients — but should they get involved?



Vetting, hiring and managing families' employees is a huge undertaking many family offices aren't equipped for.

Step aside, Downton Abbey. Wealthy families of the 21st century are employing more help than ever, and they're relying on family offices and other hiring experts to help them manage the tricky privacy, security and legal issues that go with employing a staff.

From ultra-high-net-worth billionaires to HNW families with millions in investable assets, these family-office clients are now hiring a broad range of help: along with investment and trust professionals, lawyers and accountants, the high net

worth are also hiring real estate managers, public-relations specialists, art and antique handlers, auto mechanics, airplane pilots, security experts, sports team managers, private chefs, professional photographers, personal shoppers, nannies, domestic cleaners and more.

HNW families are turning to their family offices to hire staffers because, to use an old cliché, good help is hard to find these days. But considering the challenge of hiring, managing and retaining such a broad range of employees, should family offices get involved in making those decisions?

No, says Teresa Leigh, founder of [Teresa Leigh Household Risk Management](#), based in New York, Raleigh, North Carolina, and Palo Alto, California, "Wealth managers do not want to crack Pandora's box of opening something they cannot solve. They shouldn't get

involved with hiring or firing unless they know what they're doing.”

While wealth managers and financial advisors may be comfortable hiring a portfolio manager, they should draw the line at hiring staffers outside of their expertise, Leigh asserted in a recent phone interview. At a recent Family Wealth Alliance conference, she recalled, she asked for a show of hands of wealth managers who had helped HNW clients hire household staff. Hands went up. Then she asked for a show of hands if they would do it again.

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“Zero,” Leigh said. “It’s outside of their bailiwick. There’s way too much emotion involved. Wealth managers don’t have the skillset to deal with household employees. It’s a different culture of people altogether. It’s someone who’s willing to clean a toilet and take care of the dirty parts of your house for \$10 an hour for 20 years.”

‘It’s Difficult to Get the Chemistry Right’

“It’s a very difficult area,” agreed [Todd Kesterson](#), family office services director with Miami-based certified public accounting firm Kaufman Rossin. “It’s difficult to get the

chemistry right. When looking at the employees that families hire, you’re trying to find qualified people who are trustworthy and have the right level of experience, then matching the personality to the family and the office employees.”

Not only is the hiring process difficult and time-consuming, but there’s also employee turnover to contend with, whether the employee is a domestic employee or a wealth advisor, Kesterson noted. Sometimes a family member will choose to do the hiring, but it’s more common for a C-level family office executive such as a chief financial officer to take on that responsibility, he said. Then typically, the family investment committee will make the final decision on vetted candidates.

Unfortunately, family offices are often tempted to give low-value tasks to high-paid staff when personal relationships get in the way of the professional process — particularly when a very strong family principal becomes involved, says an [Ernst & Young family office guide](#).

“Because there is a relationship of great trust and social closeness between family principals and senior staff, family principals might begin calling on those senior staff to ‘take care’ of personal favors. But this, of course, might not be the best use, and certainly not the most economically efficient use, of that person’s time,” EY says.

Outsourcing to the Rescue

As a result, outsourcing has become a common practice for family offices, according to EY. Outsourcing domestic staff or information technology functions, for example, can be the best solution because hiring experts in those fields can better manage privacy, personal security and on-call availability.

When Leigh founded Household Risk Management in 2007, she underwent a thorough vetting process before wealth managers, attorneys and other fiduciaries felt comfortable outsourcing hiring decisions to her. Her initial client based on a long-term relationship was the Chubb Group of Insurance Companies. Then, when Household Risk Management was under consideration to work with the UHNW clients of private wealth managers at Morgan Stanley, the bank spent two years asking her meticulous questions and running background checks before green-lighting her.

To be sure, hiring mistakes can happen.

Consider that the Boston Consulting Group says there are now more 14,600 families with at least \$100 million in assets globally, a 42% increase since 2008, according to a [Bloomberg report](#) published in April. Meanwhile, Leigh said, there are 52 distinct job titles for people in the private service industry who care for people in their homes. Further, she said, HNW families employ more than 160 vendors and subcontractors with an average of three employees who look after their real estate and assets. That's a lot of people — and sometimes things can go wrong.

For example, a Fort Lauderdale, Florida-based firm, [RoboVault](#), is in the business of providing Hurricane-Level-5, museum-quality storage services for everything from precious art objects to antique cars to million-dollar wine cellars. But RoboVault ran into trouble a few years ago when its founder defaulted on a \$20 million bank loan and declared bankruptcy. Since then, a new president, Susan McGregor, has been brought in to make a clean sweep of RoboVault so the high net worth can feel safe once again storing their valuables at the facility. Her cleanup strategy includes a reassessment of staffers, says an [article in BizWomen.com](#).

It's Lonely at the Top

Isolation can contribute to a high-net-worth family's poor hiring decisions, Leigh said.

"For the newly wealthy, normal life isn't normal anymore," she said. "You're taking jets around the world, trying to decide what cocktail parties to go to, which clubs to attend and who to give money to. So people who are wealthy may not see risk as we might."

She cited the case of a client seeking a nanny who met a seemingly fabulous woman at a cocktail party who just happened to be available for the job. The client asked Leigh to interview the woman, and all did not go well.

“It took me all of three minutes to find out the nanny who attended the cocktail party under the ruse of being there as a guest was there solely to connect with other high-net-worth families,” Leigh said. “She had a DUI in the last 90 days, was driving on a suspended license, on anti-depressants and had a sketchy work history. And she was working for another family. For me, the interview was over.”

Leigh pointed to this incident as a classic example of people gaining access to wealthy people because they've found their way into the right circles. But family members who want to hire, say, a new personal assistant are too busy to do the vetting, so they depend on their advisor team to sort out who might be a good fit, she said.

“Financial advisors might get involved, asking, ‘How hard can it be to find a PA?’ But a PA who works intimately with your client, that's not so easy,” Leigh said. “Attorneys and advisors find out quickly it can be hard. They don't have the time or expertise and don't want to damage the relationship with the family. The smart ones have stepped away from that and do nothing or make a referral to a staffing agency.”

Employee Insurance Protection

Further, Leigh said, high-net-worth families “can no longer hide behind their attorneys” as household workers in groups such as the [National Domestic Worker Alliance](#) are becoming increasingly active in changing employment law.

Not surprisingly, insurance companies now offer protection against bad hiring decisions. AIG Private Client Group, for example, offers coverage options to supplement excess liability insurance. Its employment practices liability insurance responds to claims of wrongful termination, sexual harassment, discrimination and other employment-related suits brought by private staffers.

Most families now request household staffers to sign non-disclosure agreements, but NDAs are tough to enforce, Kesterson noted. Ideally, he said, the wealthiest and most financially sophisticated family offices strive to keep hiring from within — but sometimes they must rely on outsourced vendors.

“A family office is very much a full-time business,” Kesterson said. “People who have generated a lot of wealth want to enjoy it. They don't want to run a business, and managing employees can be difficult. That's why a lot of people want to outsource.”

For more on the issues around HNW families hiring staff, see:

- [HNW Risk Management at Home: Protecting Clients From Help and Contractors](#)

- [Making Sure Clients' Umbrella Liability Insurance Keeps Them Dry](#)



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