

## 8 Experts Every Family Office Should Have Now

Money and family have always been a potent combination, but new challenges, from cybersecurity to market volatility, are complicating the mix. It's never been so important to have the right experts on your side.

BY JACKIE COOPERMAN | FINANCE | SEP 9, 2019



Traditionally a discreet resource to manage multigenerational wealth, the family office is evolving to address contemporary challenges. Successful family office management today requires maximizing resources, incorporating skilled practitioners across a variety of disciplines and involving both the oldest and youngest family members in discussions of succession and priorities. Here's a rundown of the kinds of experts you need to have on your team now.

## 1. AN EXPERT ON UPDATING AND SECURING YOUR SOFTWARE

“Make sure you find a security expert who’s paranoid. That’s who you want,” says Rick Higgins, founder and chief innovation officer of Risclarity. The company integrates software platforms so that family office programs can communicate with RIAs, banks and investment managers. The concept is simple, but the execution is not.

“Many of the tools used by family offices are not what I’d put in the modern technology category. We politely call them ‘legacy systems.’ They do what they do well, but they don’t have the ability to get data in and out, so our challenge is getting them to interact,” Higgins says.

As for paranoia, Higgins, who says he himself is fairly easygoing, cautions families to secure systems by requiring workflows to have multiple signatories and to establish clear separation of duties. “Always start with the people,” he says. “I’ve heard horror stories where embezzlement has taken place—not because the systems weren’t secure, but because the workplace and workflow weren’t.” *risclarity.com, 844.598.1100*

## 2. AN EXPERT ON PSYCHOLOGICAL GUIDANCE FOR TRANSITIONING POWER

Even the best-functioning family offices benefit from skilled guidance and conflict management when discussing succession and governance, says family therapist and clinical psychotherapist Gregory Greenleaf.

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“The odds of a family enterprise making it through the third generation are low. I am currently working with a fourth-generation family. They said, ‘Think of yourself as our personal trainer, to get us in shape.’ There’s an openness now in our culture to bringing in therapy. The stigma’s gone away,” says Greenleaf, a principal consultant with the Family Business Consulting Group. “I have a family where the matriarch is stepping down from their foundation. Who is the most qualified in the next generation? We map out how to do things fairly: Who makes the decisions, who has a voice and a vote, and what is the process?”

Finding a clear path when dealing with different generational perspectives on wealth and its consequences requires sophisticated communication skills as well, Greenleaf says. “Many of my clients ask me, ‘How do we not raise trust fund babies?’ Families are getting more sophisticated in raising engaged stewards of the family wealth. The rising generation is looking at how to be good citizens, give back to their communities and be involved in organizations that will help them give back. They also have totally different interests: They want to support clean water and immigration issues rather than the opera and the arts. We help families navigate that.” *thefbcg.com, 412.600.3558*

### **3. AN EXPERT ON CYBER AND PHYSICAL SECURITY**

Former CIA profiler and counterterrorism expert Terry Gudaitis wants families to know this essential truth: “The paradigms of cyber and physical are now mutually inclusive. Your virtual profile—via social media, via the web, via the connectivity you use, how you operate or how you are self-disclosing online—has a direct impact on your physical security.”

A professor at George Mason University and founder of Mindstar Security & Profiling, Gudaitis leads families through three areas: understanding their cyber footprint, from their own social media accounts to publicly posted information about their involvement

in corporate boards, charities and alumni associations; analyzing the connectivity among a family's assets, from seemingly mundane appliances like "smart" thermostats, Xboxes and coffeemakers to aircraft and yachts; and examining physical security, both at home and while traveling.

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"I'm looking at the ingress and egress of a property, a home and a perimeter, but also family behavior patterns," Gudaitis says. "When do they leave the home, what routes do they take, how do they travel and is anyone in the family posting pictures to social media when they travel? Even if they don't say where they are, it's not hard to pull metadata from most pictures, get a GPS location and a time and date stamp. That creates a chronology of where you've been and when you've been there." The bottom line, he says, is to assume that anything you post makes you vulnerable. "If you wouldn't make a sign that says, 'Hey, we're going on vacation' and put it on your front lawn, don't put it online." *mindstarsecurity.com, 703.404.1100*

## **4. AN EMERGENCY HEALTH SPECIALIST**

Emergency medicine specialist Dr. Christopher Sidford helps families cope with situations ranging from an equestrian accident at a vacation home to an ill-starred scuba diving expedition on a remote Tahitian island. "We get information through calls, videos and photographs, and we have medical translators in 140 languages to help us in hospitals wherever our clients are," says Sidford, founder of Black Bag Emergency Medicine and a U.S. Navy officer, who helped open a nuclear-, chemical-, and biowarfare-proof hospital in Sicily and provided medical support for NATO war games in the Arctic Circle.

In addition to being a medical troubleshooter, Sidford is a reliable adjunct to a family's usual healthcare providers. "We have people with rather chronic conditions whose pulmonologist has been treating them for 20 years, but unlike the pulmonologist, we

know the facilities in the area where the patients are traveling, and the patients won't have trouble getting through to us."

Sidford also specializes in preventative travel care. He and his team review clients' upcoming itineraries and then create packages of medicines, laminating all prescriptions so that everything clears customs.

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Increasingly, Sidford is called on to help families navigate the U.S. healthcare system. "There are too many cases where people without medical training are answering questions they shouldn't be," he says. "We recently had a patient with a normal X-ray after a fall and they were trying to decide whether to see another doctor, and who to see. I'll call the doctors on-site and say, 'Here's who we have and what we're looking for.' And I'll explain to the patient, 'Here's the process and here's what you need to know.'"

*emergencyblackbag.com, 978.518.3203*

## **5. A HOUSEHOLD RISK MANAGEMENT SPECIALIST**

Household risk management expert Teresa Leigh says families need to be clear: Domestic staff are employees and must be treated accordingly. "My clients will say, 'They're like family,' but you don't pay your family members to come over and do these things for you and your home," says Leigh, whose firm, Household Risk Management, has offices in Raleigh, N.C.; New York; and Palo Alto, Calif. Leigh ensures that clients comply with state and federal labor laws, and she provides rigorous screening for all potential household help, from nannies to art handlers.

"Background checks are antiquated and don't work. I feel compassionate for family offices because they're having to call references, and they don't know the questions to ask. What has to be done is put boots on the ground and make the calls and ask the right questions," says Leigh, who recently winnowed down a field of 1,940 candidates for an

assistant house manager job to just two, conducting 300 phone interviews, 26 in-person meetings and 10 trials. “We ask very specific questions. You have a head housekeeper, and she claims to have experience working in high-end homes. We ask her questions about each job: ‘How big was the house? How many bedrooms? How many bathrooms? How often did you change the sheets?’ If you get a deer-in-the-headlights look and she’s supposed to have been head housekeeper, you know you have a problem.”

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Also critical, Leigh says, is not to hire based solely on initially favorable impressions. “Some families have a history of hiring out of ‘like’, which is a knee-jerk decision. Does anyone remember Ted Bundy? His likability was really high. You can have people with psychotic tendencies who interview really well the first time around. In the case of families with children, they need to know who they’re bringing into their home. Families need to take the time to vet these people properly.” *teresaleigh.com, 212.292.4210*

## **6. AN EXPERT ON FAMILY-SPECIFIC INVESTING**

“It’s very expensive to run a family office. It used to be a net worth of \$100 million was the point at which it made sense. Many families at that level of wealth have some dedicated staff to serve them, but to build out the whole office, including investment propositions, is expensive,” says Gregory Friedman, CEO of Greycourt, an independent advisory firm operating under an open architecture model that primarily works with ultra high net worth families and family offices.

“We’ve seen an increasing reliance on the part of family offices to internalize a part of the investment function that they’re particularly skilled at and to selectively outsource to supplement what they have internally,” he says.

To do that effectively, Friedman advises looking for a firm dedicated to serving families. Also important, Friedman says, is to select a firm adept at designing portfolios with tax impacts in mind, and one that integrates strategies with tax professionals and lawyers. Friedman stresses the importance of working with “professionals who have actually been running money, not just career consultants. Whether it’s hedge funds, private equity or bond portfolios, you need a depth of understanding of the psychology of what to do when markets are running high, as they are now, and when markets are correcting.”

Finally, he urges clients to hire multigenerational firms. “It’s one thing to have mom and dad hire a firm that’s a contemporary of theirs in terms of age and experience, but if you don’t have multiple generations and common understanding and talent, then when mom and dad aren’t around, their children will have to find a new firm and advisor.”

*greycourt.com, 412.361.0100*

## **7. AN EXPERT ON STRATEGIC PHILANTHROPY**

“I think it’s important for family offices to engage in conversations about *why* they’re doing their philanthropy,” says John LaFleur, director of advisory firm Strategic Philanthropy. LaFleur helps families define their missions, a process entailing many conversations and draft statements and one that often requires compromise among family members. LaFleur and his colleagues then offer a landscape analysis, outlining philanthropic opportunities and the pros and cons inherent in each. “All of our clients want to know what they can do. The truth is that all of these areas need infinite resources, so it’s really important to figure out which piece of it you can tackle,” he says.

LaFleur guides families to create structured calendars with budgets, meetings and well-defined expectations. “You’re reviewing results just as you’re reviewing your investments. Treat it with the same accountability that you expect from your family business,” he says. A veteran in the field, with 30 years of philanthropic advising, LaFleur notes the rise of more holistic approaches to philanthropy. “Families are examining not just the money to give away, but the money in the core, which they’re shifting to impact investments. They’re asking: Do my investments align with my

charitable goals? That's a big thing, particularly in the next generation. We facilitate those conversations with a family's wealth advisors." *stratphilanthropy.com, 773.244.5185*

## 8. AN EXPERT ON THE IMPACT OF INCREASED LONGEVITY

Successful family offices have to address issues posed by increased longevity, says Leslie Voth, CEO and chairman of Pitcairn, a leading multifamily office founded in 1923. "People are living longer, particularly in prosperous families who have the best medical care. There are family issues and financial issues, and we have to look at the intersection of those," Voth says. "We navigate that conversation between two and sometimes three generations, with a younger generation that may want something different."

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Voth, who says she tries to facilitate rather than direct, urges families to start early in planning for succession and elder care. "It's really important to integrate it into your estate planning, with your counsel or family office advisor. Make sure they know what you're thinking and that you have an infrastructure in place to carry that out." Voth, who has been at Pitcairn since 1993, says family office dynamics have evolved significantly. "When I started, advisors were typically male lawyers and accountants. They were very directive and the family office team would implement their orders," she says. "It was fantastic planning, but the gap was getting the family to own it. A new generation started to push back on that very control-oriented family office, asking for more transparency and empowerment. A fourth-generation Pitcairn member recently said to me, 'I couldn't ask questions [about our finances] without feeling judged. I don't want that for my children.'"

To create more transparency, Voth says, "Families need to be able to talk through and manage the expectations. What does this wealth mean to us, and how can we operate with it?"

She helps families do that through continuing education. Pitcairn recently added a chief knowledge and learning officer to address topics like impact investing, due diligence and how to discuss wealth across generations. Families also need to connect their resources, Voth says. “It used to be that family offices hired the best lawyer and investment advisors and kept them in silos, but they really need to integrate those. The real promise is when you get the different disciplines to work together on behalf of the family.” *pitcairn.com, 212.937.1020*

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