Family Offices Evolve With Wider Offerings

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The nature of family offices is changing, with more choices for clients in terms of services and how they want to pay for them, according to those with experience in this niche market.

“Providing a la carte services allows advisors to concentrate on the services they do best," said Alexander Monnier, president of Family Office Exchange (FOX), a networking organization for family offices. "This is often better for the wealthy families also.”

As the family office market matures, more advisors are offering a la carte services that allow wealthy families to outsource some services and handle others in-house, he said.

There are about 7,480 families with $100 million to $250 million in assets in the U.S. and another 3,015 with more than $250 million in assets, according to Marv Pollack, FOX marketing director. Roughly 50 percent of the first group and 75 percent of the second group have some form of family office, for a total of 6,000, he said.

Family offices can range from well-organized, structured entities that handle one or more families to having staff members within the family handling the services as needed, according to David J. Dunn, president and chief wealth strategist for Kingsbridge Wealth Management Inc. in Las Vegas, which includes a family office for eight ultra-high-net-worth families.

“Post 2008/2009 crisis, we are seeing fewer family offices handling more families. Technology is allowing this,” said John Leto, senior vice president and head of national sales at TD Wealth. “Some single-family offices are growing to multifamily offices as the families grow and new generations acquire wealth.

“Technology is also allowing multifamily offices to incorporate lower wealth bands,” he added.

As the family office market matures, a larger variety of services and business models are being offered to the wealthy, Monnier said. “There are more hybrid offices now that provide different mixes of services, from investments to taxes to philanthropy to legacy planning.

“Millennials seem to be more willing to share information and as they gain control of the wealth, more types of family offices will emerge,” he added.

Because of the expense involved in running a single-family office, they're usually used by ultra-rich clients--usually those with $300 million or $400 million in wealth, Dunn said, up from a minimum level of about $100 million years earlier.

This is another reason that multifamily offices are becoming more popular and a larger variety of services are being offered, Monnier said.

“Advisors are learning better how to price services,” he said. “Wealthy families used to be charged strictly on assets under management, with other services thrown in sort of like a bonus. But as the industry matures, advisors are gaining a better understanding of how to price the other services."
