



Sustaining Multigenerational Wealth

The key functions of a family office that wealthy families need most.

A Q&A with TC Wealth Partners CEO Bill Giffin on the important elements of managing generational wealth.

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For many individuals and families, substantive wealth can raise some long-term questions: “Do we need a family office?” “Should we set up a foundation?” and “How should we engage our children or other members of our extended family?” Throughout his career, Bill Giffin, CEO of TC Wealth Partners, has served high net worth families, helping them identify and begin to pursue what’s most important to them.

In some cases, setting up a family office makes sense. But for others, they need some of the benefits of a family office without the infrastructure and expense. In this interview, Bill discusses the elements of a family office, to help families decide which services they might need to sustain their family for generations to come.

What does a family office actually do for a family?

It can coordinate services that in many instances the family hasn’t even thought about—from simple and tactical activities such as household management and bill payment to the complex work of investment management, policy statement and mission statement creation, philanthropy, succession, and education about wealth.

Many families, though, don’t have enough wealth to create and sustain a family office themselves. It doesn’t make financial sense. In which case, a financial entity with a breadth of services, including wealth management, trust services and expertise in investment management, can step in and function as its family office.

When vetting a firm for family office services, what should a family look for?

First and foremost, each situation is unique. Individuals and families should seek out a firm that has the breadth of services from which they can customize to their specific situation. Obviously, a family wants to work with a team that has deep experience in what the family needs.

Investments are only one of many services that a family office offers. For example, a traditional family office would have a chief investment officer (CIO). The family should look for a firm that similarly has a CIO. Arguably, a typical registered investment advisor could act as a CIO. However, the landscape is littered with poorly considered decisions from those who lack the experience deserving of a family's hard-earned wealth. It's important that there's an infrastructure that's institutionalized with oversight by the CIO.

High net worth families need a firm that is committed to a depth of research that considers the full breadth of investing options. They want an actual person sitting at the table with them to explain how the firm vetted investments, structured allocations, and selected managers.

You want personalized, full access to the CIO.

What are some of the softer family-office-type services that a family might need?

The firm should be able to step in to help a family understand the burden of wealth—and walk alongside them during moments of transition.

I once worked with a client who owned a company and hadn't told his daughter that she was going to inherit a substantial amount of wealth. She was a teacher for disabled children, and that's what was important to her. Money wasn't a big driver, and she didn't really know much about it. On their way in to meet with us, he told her about the inheritance, and from that moment on we had to build trust with her to help her understand the larger implications of her wealth.

It's about being trustworthy and a confidant. The firm needs to be in the family's corner as they go through something that, in many instances, is unique. When working with families, it's important that they have peace of mind as they give the reins to their children. While each situation is different, and each needs to be tailored to the family's unique situation, the engagement starts first and foremost with creating a bond with the family.

How do the issues of family legacy get addressed in a traditional family office setting?

When I have been part of a family-office-type environment, the biggest issue is the relationship between generations: parents with children, and their children with each other, and extended family. Most often a family's concerns are focused around relationships more than they are around dollars and cents. Family members might not be acting as good stewards of the wealth, but at the core it's not about the wealth. It's about the harm those decisions are creating to family relationships. Advisors in a family office setting need to help families manage the emotion of money—the highs and lows of it.

Sometimes that means a family-office-type environment must operate as a peacekeeper. I worked with another family in which two brothers jointly ran the family business. But they were torn apart by the money—both believing the other wasn't doing their part in the business. Sometimes you need a firm that simply will help sort through the family dynamics related to wealth and develop a plan that benefits the entire family.

What does a family need most as they seek to transition their wealth to the next generation?

I've seen greater success when there's more transparency. It's more difficult to pass on wealth from generation to generation when the patriarch or matriarch of the family has a stronghold on that next generation—because he or she holds the keys to the vault. It becomes more dictatorial than inclusive.

For a firm to be able to help families, there needs to be a willingness to be open and dig into the positives and negatives of wealth together.