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# Super-Rich Likelier To Outsource Post-Crisis

December 02, 2010

(Dow Jones) Hard times have pushed private single-family offices and their commercial counterparts together in partnerships only vaguely imagined before the crisis roiled the financial-services industry two years ago.

Rich families were as surprised as anyone when markets swan dived in late 2008. The losses they endured may not have matched broad-market declines, but an early-2009 report by Spectrem Group said millionaires shed 30% of their wealth in 2008. The novel experience of loss and uncertainty prompted many, the hard-driving newly rich and old-line dynasties alike, to re-examine their approaches to wealth management.

For those with family offices—private entities that families with hundreds of millions of dollars use to manage their investments and life-style needs—there was a stark cost-benefit analysis, says Allison Taff, head of wealth-management firm Silver Bridge Advisors' Family Office Services group. "Big families are asking, 'Where is it that we provide real value? Where is what we do just a cost drain?'"

From such questions it's a short path to deciding that some things now done internally are better outsourced, according to Robert Elliot, senior managing director of the New York-based multifamily office Bessemer Trust.

There's no shortage of traditional financial-service providers eager for more high-wealth clients. In recent years, private banks, custody providers and big-name brokerages have made concerted pitches for family-office wallet share. But since the downturn, multifamily offices—commercial takes on the private single-family office that boast economies of scale and market savvy from serving multiple high-net-worth families—have become partners of choice for the wealthy looking to trim the costs of their existing family offices. In part, that's because multifamily offices laid the groundwork for these relationships before the crisis.

"Family offices started talking about pooling resources in 2006, 2007," says John Benevides, head of Harris myCFO's family-office group. "But back then the emphasis was on peer-to-peer collaboration. Post-crisis, family offices started having a lot more conversations about collaboration, but now—because it was becoming clear that combining single-family offices called for a lot of negotiation and compromise—with the multifamily offices as the partners of choice."

As a result, multifamily offices—whose stock in trade is providing family-office-like wealth-management services to people with between $10 million and $100 million—have altered their approaches to single-family entities. "The timbre and tone is different," says Benevides. "Now it's not 'Hey, we can replace you,' it's 'Hey, we can help you; we can customize solutions to fit your exact needs.'"

Elliot notes a new willingness to collaborate. "Pre-crisis, there was a lot of arrogance on both sides," says Elliot. "[Single-family offices] had a set-it-and-forget-it attitude toward their investments, while [multifamily offices] were missing the point that the family offices they were trying to replace were set up by people with egos and desires to see what they created live on."

But the ability to tailor services to the family's needs is more important than a conciliatory tone to multifamily offices that hope win business from established single-family offices. Customization is especially crucial for high-wealth families that need to make hard, sometimes idiosyncratic, decisions about what's best outsourced. Multifamily office executives say there's no standard roster of functions a family can and should outsource. One family may add genuine value on the investing side, but stumble when it comes to concierge services. Another may see governance as an in-house strength and bill-payment as a chore best delegated to outsiders.

"The point is you can outsource anything," says Taff, who notes the rise of a new sort of "shell" or "virtue" family office that outsources all but a few purely supervisory functions.