

FAMILY OFFICE

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FAMILY OFFICE

Changes in the Financial Services and Trust Industry

Factors

- Global Economic Crisis
- Information Exchange Treaties
- OECD
- FATCA
- Terrorism

Clients

- High net worth and ultra high net worth individuals with global assets both business and personal.
- COMPLIANT

FAMILY OFFICE

Overview

1. What is family office?

2. History of family offices

3. Concentration of family offices globally

4. Family offices and Asia

5. Advantages

6. Structure and set up

7. Assets

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What is a Family Office?

Wikipedia:

“A family office is a private company that manages investments and trusts for a single wealthy family.”

The role of a family office is to manage, build and sustain the wealth of the family for current and future generations.

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History and Developments

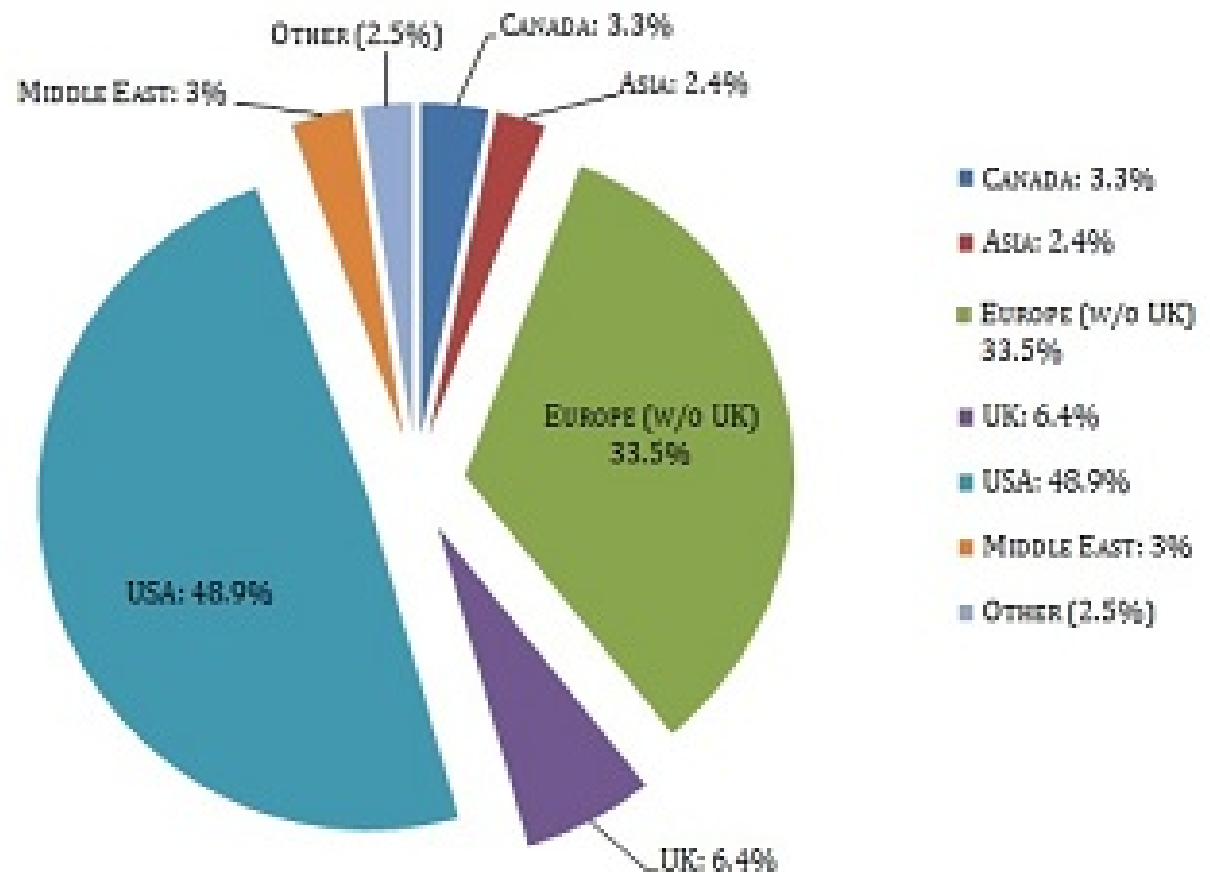
- First Family Office believed to be set up in 1968 in Pittsburgh USA
- John D Rockefeller opened a family office for the Rockefeller family shortly after
- 1980's the number of wealthy families grew and developments in financial markets led to spiralling costs of single family offices
- Creation of Multi-Family Offices
- Companies in the financial sector offering family office style services.

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Family Office statistics

- Around 1,003 Family Offices around the world, around 48.9% are based in USA.
- 2.4 % in Asia
- Source: familyoffice.com

GEOGRAPHICAL DISTRIBUTION OF THE FAMILY OFFICES DATABASE BY COUNTRY



PCSL Asia Pacific – Future opportunity

Growth of wealth in Asia

MONITOR

GLOBAL WEALTH DISTRIBUTION AND LOCATIONS FAVOURED BY THE SUPER-RICH

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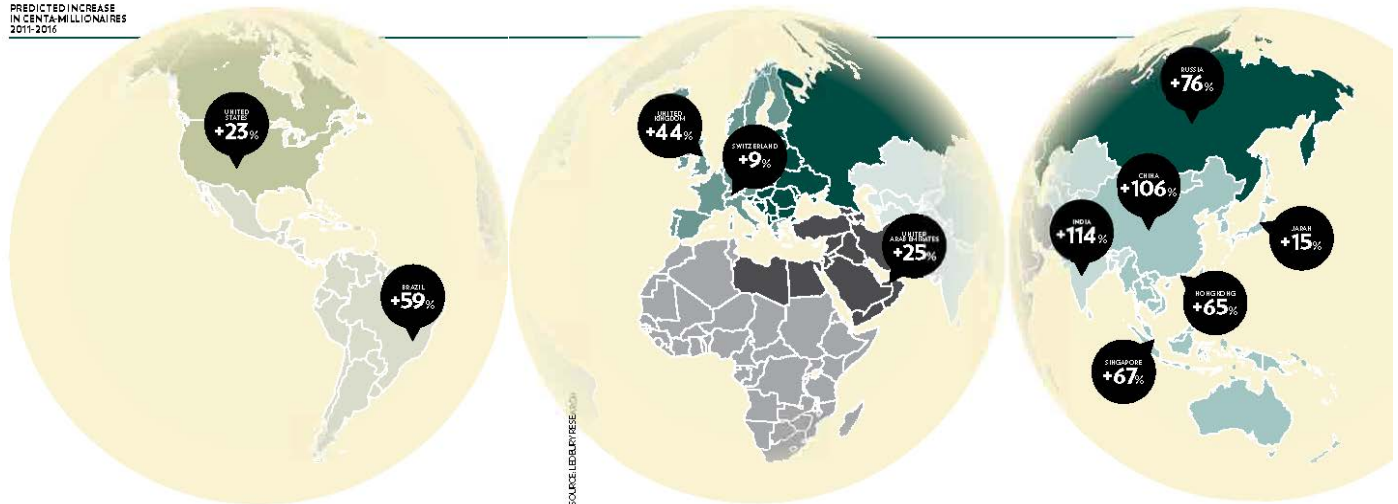
THE WEALTH REPORT 2012
WWW.THEWEALTHREPORT.NET

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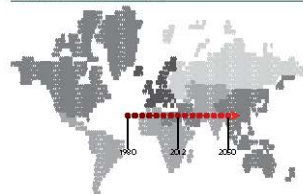
RISE OF THE NEW RICH

THE DISTRIBUTION OF THE WORLD'S SUPER-RICH IS SHIFTING. GRÁINNE GILMORE SEEKS OUT FUTURE GLOBAL WEALTH HOTSPOTS AND DISCOVERS IT'S NOT ALL ABOUT CHINA

PREDICTED INCREASE IN CENTA-MILLIONAIRES 2011-2016



ECONOMIC CENTRE OF GRAVITY



London School of Economics professor, Dany Quah has calculated that the world's economic centre of gravity – the average location of economic activity by GDP – is on the move. By 2030, the realty of emerging economies in Asia will have pushed the financial centre of gravity modelled by Professor Quah from its location in 1980 in the Atlantic Ocean to somewhere between China and India by 2030. He predicts that political influence will follow a similar trajectory eastwards.

SOURCE: GLOBALECONOMY'S CENTRE OF GRAVITY, QUAH (2011)

INCREASE IN CENTA-MILLIONAIRES BY GLOBAL REGION

	GLOBAL	NORTH AMERICA	LATIN AMERICA	WESTERN EUROPE	EASTERN EUROPE	AFRICA	MIDDLE EAST	SOUTH & CENTRAL ASIA	SOUTH-EAST ASIA
2006-2011	+29%	+6%	+67%	-7%	+50%	0%	+100%	+200%	+80%
2010-2011	+7%	+6%	0%	+8%	0%	0%	0%	0%	+13%
2011-2016	+37%	+24%	+60%	+7%	+67%	100%	+50%	+100%	+44%

Region	2011	2016
Global	63,000	86,000
North America	17,000	21,000
Latin America	5,000	8,000
Western Europe	14,000	15,000
Eastern Europe	3,000	5,000
Africa	1,000	2,000
Middle East	2,000	3,000
South & Central Asia	5,000	6,000
South-East Asia	10,000	21,000

1 = 1000 cents millionaires, 2011 | 2016
 Cents millionaires = 100m disposable assets

TOTAL NET WORTH OF CENTA-MILLIONAIRES 2011
\$39.9 TRILLION

HNWI POINT OF VIEW MAIN THREAT TO YOUR WEALTH?

- The ongoing global financial crisis SINGAPOREAN
- Regional war MIDDLE EASTERN
- Nationalisation of land ZAMBIAN
- Inflation INDIAN
- Hostile takeover of the government RUSSIAN
- The devaluation of money HONG KONG

For more survey results and investor intelligence, turn to Distribution.pdf

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Threats to Family Wealth

- Tax (US inheritance tax at 50%)
- Dissipation to multiple family members
- Success of family business
- Predators (e.g. bad advisors)
- Catastrophe (e.g. war, economic crisis)

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Purpose of Family Office

Provides a forum through which a family can:

- consolidate assets to facilitate more efficient and better management;
- ring fence assets for better management;
- ring fence assets from potential liabilities to facilitate better preservation of assets;
- mentor successive family members into the “business” of the family wealth;
- facilitate philanthropic goals;
- preserve wealth for future (avoiding dissipation through inheritance);
- pass on family wealth to next and future generations

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What kind of Family Office?

Rule of thumb

- Fully Integrated Family Office US\$1 Billion
(In-house Investment Team, legal counsel, accountancy and bookkeeping services etc.)
- Administrative Family Office US\$ 50 Million Plus
(Accountancy and bookkeeping Services)
- Multi Family office US\$ 50 Million
- Family office services Less than US\$50 Million

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Family mission statement and Family Governance

Mission Statement

- Families' goals
- Expectations for the future

Family Governance

- Multi-generational management technique
- Ensures a family's history, values and wealth endure
- “Social Contract” where family members acknowledge specific shared family goals and values
- Family agree to abide by it

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Set up consideration

Geographical Location

- Tax efficient
- Location of family business?
- Country of residence?

Authorizations and Regulations

- Requirement of license
- Government authorizations
- Administrative regulations

Premises

- Are there suitable premises at a suitable cost?

Employees

- Qualified employees?

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Set up consideration

THE STRUCTURE

Heart

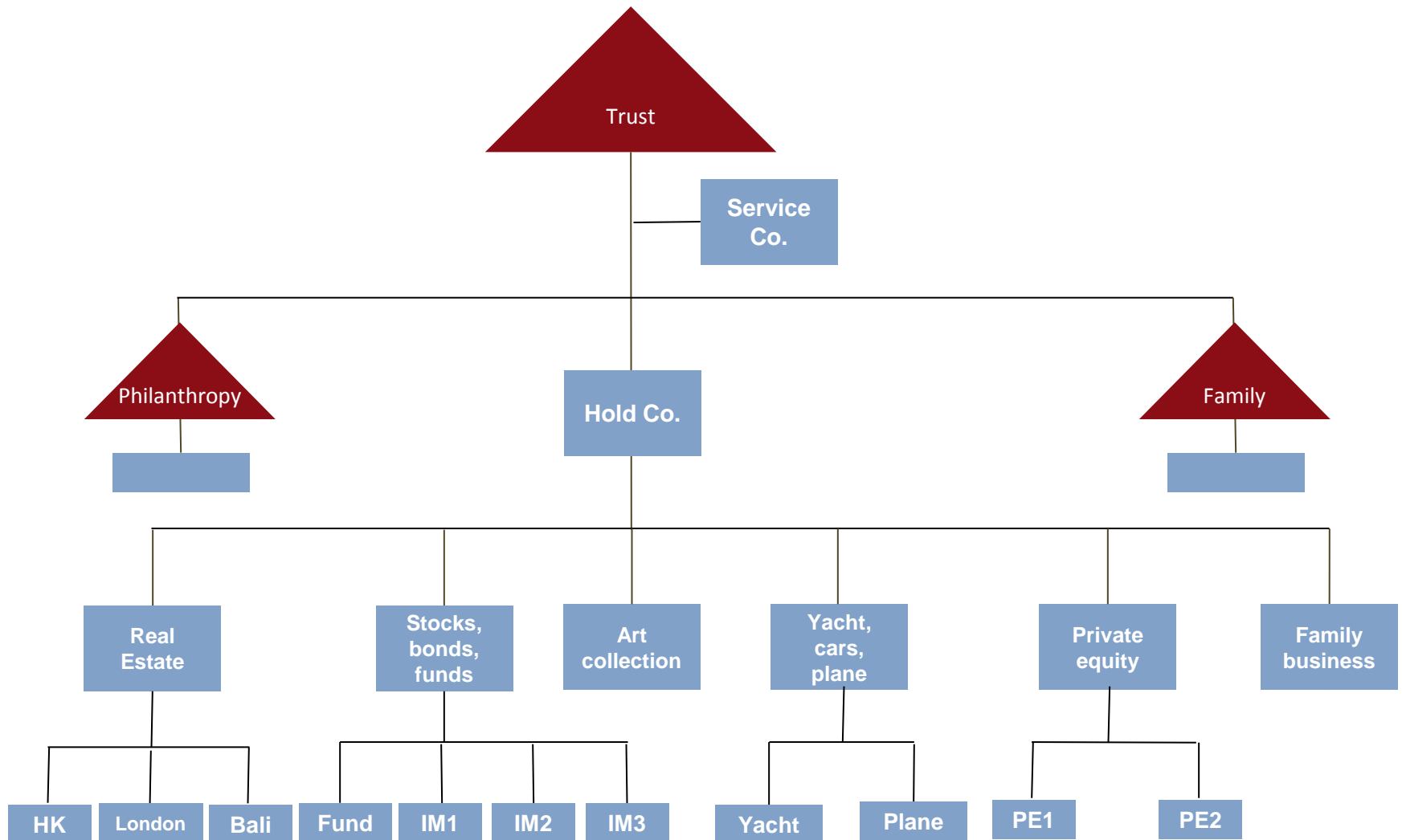
- Limited liability company
- Trust
- Foundation

Limbs

- Limited liability companies
- LLPs
- Trusts
- Foundations

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Structure



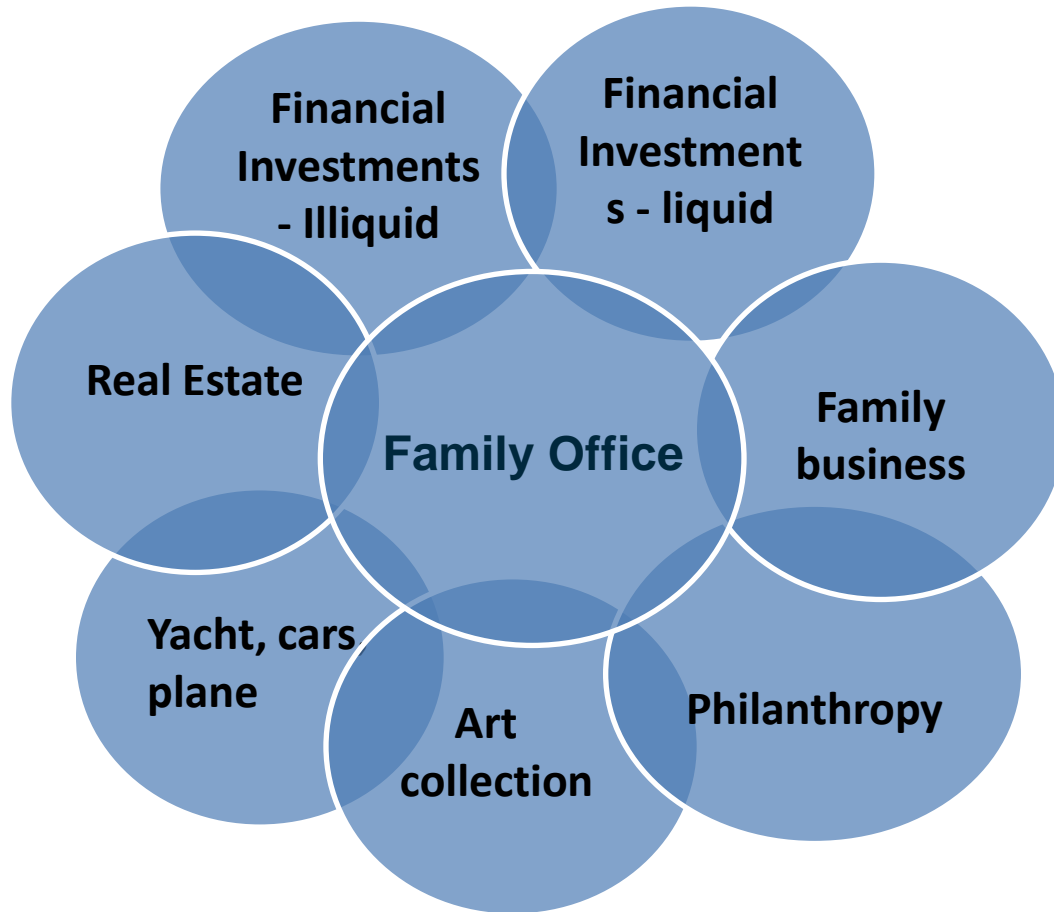
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Typical assets managed through Family Office

- Financial Investments – liquid (stocks, bonds, funds)
- Financial Investments – non liquid (private equity)
- Real Estate
- Family business
- Yacht, cars, plane
- Art collections
- Philanthropy
- Support staff

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Asset wheel



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Business assets

- Creation of a business charter
 - Establishing code of conduct
 - Operating Procedures
 - Role family members
 - Fair Process of Distribution of Assets
 - Rights to access business information
- Help ensure business continues in future generations
- Taking away single ownership
- Divide business and personal assets

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Private Assets

- Initial Acquisition
- Renovations
- Paying Bills
- Maintenance and repairs
- Paying domestic employees
- Collection of rents



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Private Assets



- Initial Acquisition
- Place of delivery
- Hiring of Crew
- Employment Contracts
- Pay Roll
- Safety Regulations
- Maintenance and safety
- Cost Management

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Private Assets

- Initial Acquisition
- Locating Boat Berth
- Employing Crew
- Pay Roll
- Maintenance
- Cost Management
- Chartering?
- Safety Regulations



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Philanthropy

- Giving back
- Ensure unity in their approach to Philanthropy
- Support charities beyond the first generation
- Tax efficient structuring

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Key ingredients

- Longevity
- Removes assets from the estate of one person (Patriarch)
- Allows flexibility of management (New family member in and out)
- Tax efficiency



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