



Family Comes First

Family is the priority in the Family Investment Office model

In many ways, money is the easy part of family wealth. A prudent investor, with the guidance of a like-minded investment adviser, can construct and maintain a sensible portfolio that will preserve and grow assets. While far from automatic, investment success is clearly achievable.

The “family” side of family wealth, on the other hand, is far trickier. Managing the diverse and ever-evolving financial matters of a family is much more complicated than simply managing the assets within a portfolio. Multi-generational family finances involving sophisticated investment, tax and trust planning – and, often, strong personalities and complicated personal relationships – defy formulaic responses. Each family, distinctive in so many ways, needs its own tailor-made approach to wealth.

The unique needs of wealthy families provide the *raison d’etre* for the Family Investment Office (FIO) model of wealth management. Yes, the FIO manages the investment portfolio, but does it does much more, all in the context of larger family and financial goals. The FIO is typically a single source for most or all of these activities and services:

- Investing, with emphasis on long-term capital preservation and growth
- Tax-efficient wealth transfer
- Wealth education
- Philanthropic giving in accord with family interests and values
- Reevaluating and adapting plans as the family changes
- Safeguarding family documents and information
- Information, guidance and personal connections for all family members

Important differences

All of the services provided by a family investment office demand specialized skills, effort and time – time that cannot be spent on other activities



such as business development. This results in an FIO business model that differs considerably from broker and banks. Critical differences include:

Business model: Traditional brokers and investment banks are ultimately organized and managed as sales and product organizations, with individual advancement tied to the ability to attract new accounts. In contrast, an FIO grows organically – through successful investment of client assets and referrals from satisfied clients.

Costs and compensation: The FIO compensation model is supremely simple – a single, contractual fee paid by clients based on the size of their portfolios. This fee, which covers all portfolio management costs, commissions, and all other services, aligns the interests of client and adviser – the adviser maximizes income by generating portfolio growth for clients. Brokers and investment banks, on the other hand, often apply commissions for routine trades. Further, many brokers and banks derive considerable income for recommending proprietary or third party financial products.

Objectivity: These compensation differences result in another key distinction: in an FIO, the adviser is free to, and motivated to, look *everywhere* for optimal investment vehicles. The open platform model of an FIO allows the adviser to search the entire world for investments with ideal structure, risk/return characteristics and pricing. Investment banks and brokers, on the other hand, have limited motivation to look beyond the recommended play lists of their respective firms.

Fiduciary standard: Family investment offices are typically Registered Investment Advisers, a closely regulated category of financial adviser with a statutory fiduciary responsibility. As a fiduciary, the FIO must systematically pursue the interests of clients. Broker/dealers, not bound to this legal standard, are free to recommend investment vehicles that do not necessarily align with client interests.

The OCM difference

Osbon Capital Management is a registered investment adviser operating as a family investment office. OCM's sole source of revenue is fees paid by our clients for investment advice.

We seek to provide a "first call" relationship for families, where clients turn to OCM for any matter of importance.



Relationship: This fiduciary standard has a compelling impact on the nature of the relationship between the FIO and the client. Because the FIO must pursue the interests of each client, the adviser must *understand* those interests. Understanding requires discussion – ongoing, candid exchanges regarding family goals and priorities. A fiduciary can only fulfill its obligations by really getting to know the client family.

Service: As described above, the FIO is designed as a one-stop source for much more than investment advice. The FIO becomes an extension of the family, and a coordinator of numerous activities that protect the interests of family members.

Recognizing the right recipe

The FIO model has proven to be an attractive choice for many families; the category has grown by 30% annually in recent years. But for all its special adaptations to the needs of wealthy families, the family investment office model is still not universally known among the audience it is designed to serve. Many families know the ingredients they seek in a family investment adviser – unbiased, open investment guidance, deep relationships and a focus on the family – but are unaware that these ingredients are all cooked into a readily available cake – the family investment office model.

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