



Family Office Services

Centralizing your financial affairs & helping you preserve your legacy and spend your time wisely

Hightower Great Lakes

Valparaiso, IN
Traverse City, MI
Sarasota, FL
Chicago, IL
hightowergreatlakes.com



Introduction

Wealth is more than the composition of your assets. It's your business, your values, and your legacy. It empowers you to provide for your family, make an impact on your community, and live the life you want to live.

But wealth comes with complexity. If you do not manage it, it will manage you. This is the great irony of wealth—the freedom, enjoyment and flexibility available to those with significant wealth is often diminished with the increased responsibilities of managing it.

The Paradox & The Solution

As your family's wealth levels increase, new risks, complexities and challenges present themselves. These include the following common concerns that can jeopardize both the assets and family values:

- The complexity, cost and risk of managing decentralized assets - liquid and illiquid, and often dispersed across vast geographies
- A lack of preparedness for the implications of a sudden or unexpected influx of liquidity
- Tax implications associated with a sudden increase in liquidity, as well as investment and estate planning decisions
- The time inefficiency of oversight and high cost of wealth management providers
- Concerns about data security and privacy
- Misalignment between family members about how to make investment or philanthropic decisions
- Family conflict, disorderly financial decision making and other internal threats to a successful wealth transfer from one generation to the next

The Benefits of Centralized Management

Structurally, a family office offering creates separation, or at least a distinction, between the family business and the family's personal wealth. It also creates an aggregated view and institutionalized knowledge of a family's entire financial landscape, enabling the efficient, centralized management of liquid and illiquid assets. This centralized management fosters cohesive decision-making and supports the delivery of comprehensive, objective advice that focuses on the interdependencies and impact on all areas of your finances.

Additionally, this separation and reliance on a trusted team of professionals helps alleviate the complications that can result from the paradox of wealth - liberating the family members, especially the family leader, to spend their time on what they want, enjoying the freedom and benefits wealth can afford.

Key Advisors

In its ideal state, a family office centralizes and coordinates your key professionals, staff and advisors while simultaneously providing you with access to professionals and resources with subject-matter knowledge as new needs emerge.

A family office gives you access to a wider network of professionals with a greater variety of specialties and backgrounds. Family office services offered through a private wealth management practice allow you to capitalize on your trusted advisors' professional relationships. Additionally, the service professionals who handle your questions and account transactions will likely continue to be your points of contact for other lifestyle needs, fostering better alignment with and understanding of your overall financial plan.

While it's critical to work with professionals who have the proper credentials, deep experience and specialize in areas that are relevant to your family's needs, it's equally important to work with professionals you trust. A good rapport and strong relationships are critical—you must feel like the professionals you choose to work with understand your needs, are working to serve your best interests, and genuinely care about your family's well-being.

Tangible & Investible Assets

The more robust and complex your assets—from private planes and vacation homes, to private investments and employees—the more time you must devote to the management and oversight of these liquid and illiquid assets. Family office services solve for these time-consuming complexities by providing in-house and outsourced management solutions.

For tangible assets, such as private real estate, the upkeep and management require identifying and coordinating staff and specialists, often remotely. The costs can rapidly accumulate, and to protect the value of the assets requires assessing and implementing liability management solutions.

Investible assets are often managed by professionals who have a limited perspective on your family's total net worth, which can lead to improperly accounting for risk. Furthermore, after factoring the cost of providers and investment vehicles or tax implications, calculating the adjusted returns can be very difficult or impossible.

A family office offering helps identify and implement efficiencies while fostering cohesion throughout your financial life, helping you maintain your assets and legacy.

Scope of Services

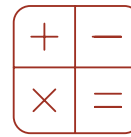
Family office services are designed to be as comprehensive as they are integrated. The integration and holistic approach are beneficial because this enables and supports the centralized management of your family finances and affairs.

Specific services often include:



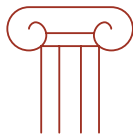
Bill Pay

Coordination invoice payments
Monthly summary of payments



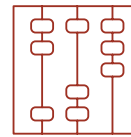
Tax Planning/Preparation

Tax coordination
Tax strategies for gain/loss harvesting
Facilitation of tax preparation services
Management of quarterly estimated payments
Tax return review



Estate Planning/Estate Review

Review of wills, trusts, family partnerships
Estate plan creation



Bookkeeping/Accounting

Private banking - deposits and loans
Personal bookkeeping and accounting
Complex investment strategies



Family Governance & Education

Family meeting coordination and facilitation
Next generation/legacy education
Family values education



Coordination with Other Family Advisors

Including attorney, CPA, etc.

Additional services that are often part of a family office offering include:



**Real Estate/
Vacation Properties**

Property management
Home purchase and sale coordination
Real estate broker coordination



**Philanthropy
Management**

Charitable gift administration
Coordination with donor advised funds organization
Family foundation administration
Philanthropic planning



**Business Planning/
Consulting**

Business valuation
Facilitation of business acquisition and sales assistance
Business insurance and private banking
401(k) coordination



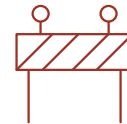
Personal Assistant Services

Household management
Personnel management (payroll, background checks, etc.)
Personal security coordination
Childcare coordination
Eldercare coordination



**Travel/Vacation
Concierge Services**

Private aircraft/charter coordination
Travel planning/booking coordination
Entertainment and transportation coordination



Risk Management

Property & Casualty liability
Entity formation
Healthcare
Long-term care



Healthcare Services

Wellness
Long-term care coordination and due diligence
Hospital introductions
Insurance/gap planning



Employment Services

Employment counseling/planning
Employment contract review (legal)
Executive coaches
Executive recruiters
Benefits review and advising
Stock option planning

Role of Technology

A prolific, integrated technology platform is a cornerstone of a successful family office. The technology suite should accomplish two key objectives: (1) offer you and your family transparency, security and convenience, and (2) enhance efficiency and security of communications between the family office and your other key advisors and professionals. Many family offices optimize an online client portal to offer you secure access to your accounts and investments, as well as features such as document storage, and spending and budgeting tools.

A family office must have technology solutions that give you a single, comprehensive view of your entire financial picture that includes asset allocation and performance review, regardless of where your assets are custodied. Report customization capabilities to show your account performance, gains/losses, income, projected income, investment allocation and transactions should also be available.

Additionally, it's important that a single, secure repository for storage and centralized access of important financial documents is available to you. It's also critical for a family office to have the communication tools necessary to share information with your other advisors in a secure, efficient and timely manner. This helps foster cohesion of your wealth management strategy, and enables the family office to manage the organization and coordination of key professionals to fulfill your needs.

In addition to a strong cybersecurity infrastructure to protect your data, the practice providing these services must also have a privacy policy in place designed to protect the privacy and security of your personal information and help ensure confidentiality.

Family Values & Inter-Generational Wealth Transfer

The qualities necessary in a family to sustain great wealth are not always the same as those needed to build it. Jim Grubman and Dennis Jaffe conclude that families that sustain wealth do so by adapting at a personal and family level¹ The family leader must model these behaviors, while facilitating communication and fostering compromise. For many families, these are challenging undertakings.

Transferring Assets and Values

A family is like a business, and the business of running a family becomes increasingly complex with significant wealth. Establishing a family governance structure and fostering alignment across generations—defining how and when to make investments or gifts—is perhaps the most challenging task for many families. Uncoordinated individual efforts of family members can pose great risk to the assets and even family values. An agreed-upon process for collaborative decision-making is critical to aid the preservation of the family's identity and character. This is an essential function of a family office.

The family office takes on the responsibility of establishing, coordinating and maintaining investment policy statements and governance procedures. This includes defining your values—from philanthropy and spending philosophy, to the next generation's college education and keeping the business in the family.

Communicating these values, expectations for family wealth and plans for transferring assets can be uncomfortable, difficult and counterproductive, if not done properly.

¹ Jaffe, Dennis; Grubman, James. *Cross Cultures: How Global Families Negotiate Change Across Generations* CreateSpace Independent Publishing Platform, 2016.

A family office helps coordinate and facilitate family meetings, or structured discussions that foster the open, honest sharing of information about family wealth. These meetings can serve to crystalize and document how your family defines wealth, what expectations are associated with the transfer of assets, as well as the values and traditions you would like the next generation to uphold.

A family office also works to help address any conflicts that may surface during these meetings, as well as help make sure that any actionable takeaways (such as updating a will, reaching out to a family counselor, distributing a family values statement, etc.) are completed in a timely and efficient fashion. A family office team can also help you educate younger generations on best practices for financial planning and budget management, including saving, investing and spending.

Philanthropic Planning

Philanthropy is a cornerstone of many families' legacies and is often tied to core personal values. In addition to coordinating charitable giving, a family office can support complex philanthropic endeavors, such as the establishment and management of a family foundation. This can include assisting with the development of the foundation's mission statement, coordinating and managing the incorporation process, and providing ongoing administrative support for the foundation.

Additionally, the centralization of your liquid and illiquid assets makes it easier for your advisors and family office professionals to identify strategic opportunities to maximize your giving while minimizing taxes. Integrating your philanthropic ambitions with your estate and financial plan can help create meaningful tax efficiencies. For example, a charitable trust or donor-advised fund can help mitigate estate taxes for your heirs and/or capital gains taxes that result from the sale of your business.

Whatever your goals, a family office can help you integrate a legacy of giving into your long-term financial plan.

Trust & Estate Planning

For families with a significant asset-base, it's critical to establish a plan for transferring your assets and estate. Setting up trusts, creating and maintain estate plans, and drafting and re-drafting wills are necessary, albeit very time-consuming, tasks that can distract from your ability to enjoy your wealth, passions and time with loved ones.

A family office team handles the laborious coordination and management of these tasks, including working with your estate attorney, CPA, insurance agents, and other key advisors.²

In addition, a family office often provides services that support the establishment and maintenance of trusts. As your personal wealth grows, trusts can serve as vehicles to help you protect your wealth, as well as specify instructions and conditions for asset transfer. Trusts can play an important role in your philanthropic strategy, as well as tax planning. There are many types of trusts, each featuring different and specific conditions, and while their benefits can be great, it can be costly and time-consuming to determine which type of trust meets your needs, as well as to set it up. Family office services typically include trust solutions and ongoing assistance with tasks necessary to maintain the trust.

² Please note, Hightower advisors do not provide tax or legal advice.

Conclusion

Substantial wealth often comes with an inherent paradox: you may have the means to spend your time however you choose, but you face more timing-consuming management complexities. A family office can help you reclaim your time.

Placing the responsibility of asset, liability, and service provider/vendor management on a third-party creates time and efficiency for you and your family. Similarly, institutionalizing the investment process, applicable across all assets and providers, helps maximize investment returns, accounting for risk and cost.

In addition to centralizing your assets, employing a team to transparently establish a family governance process, investment policy statement and the appropriate philanthropic entities, can help reduce decision-making complexities and future conflicts.

We believe the firm providing these services must be an independent registered investment advisor (or affiliated with one) and fee-based to help ensure that there are no conflicts of interests when it comes to managing your affairs. Your best interests must be central to the practice's service offering, and the professionals you work with should not receive commissions on any of the products, services or vendors they recommend to you. The family office must acknowledge to you, in writing, that they are fiduciaries—meaning that they are legally obligated to act solely in your best interests—and be able to provide you with clear costs associated with services that are not a part of the family office services offering.

Above all else, it's critical for you to feel that you can trust the individuals who will be responsible for providing these services. A family office or a private wealth practice will be deeply immersed in many sensitive, private family and professional matters— the professionals who are supporting you must understand your values and preferences, as well as service your needs in a discrete, confidential manner.

At Hightower, we believe Family Office Services are needs-driven. We invite you to review the questions in our needs assessment tool (found in the appendix) and contact our team for a complimentary evaluation of your current challenges. Our professionals can help you assess your needs, as well as help you determine which family office services could be valuable to you and your family.

Appendix: Assessing your Family's Needs

Establishing a single-family office is not practical or cost-efficient for all families. Crystalizing your family's needs across your entire financial picture is critical to helping you determine the optimal structure and services to fulfill your needs.

Business

Whether you're a serial entrepreneur or the same business has been in your family for generations, the financial complexities associated with your business likely have a significant impact on your personal finances.

Additionally, a liquidity event or business transition comes with its own host of planning needs and considerations, as well as the coordination of both your family members and trusted advisors.

Questions to ask yourself:

Who is responsible for sourcing and managing your business's capital or investment banking needs?

Who is responsible for your business's tax management?

Is your business's tax management integrated with your personal tax management or planning strategy?

Who is responsible for making sure that your attorney, CPA, financial advisor, insurance agent, investment banker and business advisor are aligned?

Is your stake in your business and/or succession plan part of your personal financial plan?

If you intend to keep your business in the family, do your children and grandchildren understand their roles and responsibilities?

Do you have access to the resources you need to help ensure that an event meets your needs and objectives?

Lifestyle

Managing a personal assistant who handles bill pay and household staff management (including payroll and hiring), a travel assistant who coordinates your personal and professional travel arrangements, and a real estate broker who helps you manage your properties and pursue new opportunities can be cumbersome, time-consuming, and costly.

While many family offices may also outsource some of these functions, there is one person responsible for the coordination and oversight of your lifestyle needs.

Questions to ask yourself:

Are you currently outsourcing lifestyle needs to multiple professionals?

Are you or a family member currently responsible for the oversight and management of multiple professionals, such as a nanny, personal assistant and/or real estate broker?

Are all of your key financial documents and accounts organized?

Do you occasionally forget to pay bills on time?

Who is responsible for managing your household's budget?

Do you and your family have unfulfilled personal and information security needs?

Would your family benefit from the services offered by a professional travel agency or private charter?

If you own multiple properties, are you responsible for their management, as well as all associated professionals?

Who is responsible for hiring and managing your household staff?

Family

Wealth can create complexities that strain family relationships. Affluent families often have needs that require the involvement or consideration of multiple generations and/or family members outside of the nuclear family. These needs require a special sensitivity to and understanding of your family's dynamic.

Having a resource to coordinate and mediate can be critical to maintaining healthy relationships. Family office services are designed to help foster communication, education and a more cohesive family unit.

Questions to ask yourself:

Do you have the support you need to provide your children and grandchildren the education they need when it comes to the family finances?

Do your beneficiaries understand their inheritance?

Do you have a wealth transfer plan in place?

Who is responsible for the coordination and funding for your children's education?

Do you have a strategy to help fund your children's education?

Who is responsible for educating your beneficiaries and trustees on their respective roles?

Who will take over the family business when you decide to exit it? In what capacity?

Do you have a long-term care plan in place for your parents? Your spouse? Yourself?

Are you struggling to start the conversation about family wealth and finances with your children or grandchildren?



HIGHTOWER

Great Lakes

15 N. Franklin Street, Suite 100, Valparaiso, IN
10850 E. Traverse Highway, Suite 3350, Traverse City, MI
1680 Fruitville Road, Suite 231, Sarasota, FL
200 W. Madison, Suite 2500, Chicago, IL

hightowergreatlakes.com

©2013-2017 Business Enterprise Institute, Inc. All rights reserved.

This white paper is used pursuant to a licensing agreement with Business Enterprise Institute, Inc. Further use of this content, in whole or in part, requires the express written consent of Business Enterprise Institute, Inc.

All securities are offered through Hightower Securities, LLC, member FINRA and SIPC, and advisory services are offered through Hightower Advisors, LLC. In preparing these materials, we have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public and internal sources. Hightower shall not in any way be liable for claims and make no expressed or implied representations or warranties as to their accuracy or completeness or for statements or errors contained in or omissions from them. This is not an offer to buy or sell securities. No investment process is free of risk and there is no guarantee that the investment process described herein will be profitable. Investors may lose all of their investments. Past performance is not indicative of current or future performance and is not a guarantee. This document was created for informational purposes only; the opinions expressed are solely those of the author, and do not represent those of Hightower Advisors, LLC or any of its affiliates.

Hightower Advisors do not provide tax or legal advice. This material was not intended or written to be used or presented to any entity as tax advice or tax information. Tax laws vary based on the client's individual circumstances and can change at any time without notice. Clients are urged to consult their tax or legal advisor.