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FOR IMMEDIATE RELEASE:

Handler Thayer, LLP Family Office Outlook 2011

Family Offices have continued to place considerable resources behind all aspects of risk management. This focus is expected to continue for the foreseeable future. As a result, the four major family office associations, Family Office Association, Family Office Exchange, Family Wealth Alliance and Institute for Private Investors have continued to focus on comprehensive risk management in their educational programming, research and publications.

Handler Thayer's Advanced Planning & Family Office Practice Group finds:

- Most affluent families and family offices continue to adopt a highly defensive posture with respect to investments, risk management, security and privacy.
- The U.S. continues to lead the way in the development of family office structures, strategies, tactics and best practices. In many parts of the world, family offices are not established as separate entities and function inside large and small businesses, often in violation of applicable laws.
- Affluent families and family office CFOs are extremely concerned regarding expected elevated levels of future income and payroll taxation inordinately falling on fewer and fewer taxpayers.
- Continued concern about overregulation and scrutiny by state and federal government agencies is chilling investment and expansion while escalating the costs of family office compliance and risk management.
- Globalization of businesses, investments and family offices has given rise to the significant flight of assets, businesses and charitable dollars out of the U.S. and the accelerated relocation of families and businesses from high-tax to low-tax states and jurisdictions.
- Asset protection planning, premarital agreements, umbrella liability insurance policies and captive insurance companies have all blossomed as affluent families and family offices continue to become more focused on long-term wealth preservation.

The Family Wealth Alliance has seen the escalation of significant threats to private families due largely to unforeseen events related to cyber-security, personal security, reputational risks, privacy and confidentiality. According to its CEO, Tom Livergood, *"Such threats become exacerbated in times of global disaster, such as the earthquakes in Haiti and Japan and violent civil protests throughout the Middle East. Family Wealth Alliance believes that private families and their advisors would benefit from a resource that brings these disparate areas together and addresses risk in a comprehensive, professional,* *best-in-class manner. We believe the Alliance Security Council™ is such a resource which will create huge value for private families."*

The Alliance Security Council was formed to safeguard "the lives and livelihoods of private families" by segmenting and addressing risk in ten areas of threat. Within each area of threat, best-in-class service providers and specialists have been identified and qualified to provide a unique resource for Single Family Offices, Virtual Family Offices, and Multi-Family Offices. Family Offices are expending unprecedented efforts to identify and capture income tax and estate tax once-in-a-lifetime opportunities afforded by the current interim laws.

According to Thomas J. Handler, Chair of Handler Thayer's Advanced Planning & Family Office Practice Group, *"We expect to see a significant escalation of wealth transfer planning in 2011-2012, largely driven by highly favorable income tax and estate laws effected by the Tax Reform Act of 2010."* The firm is encouraging clients to implement gifts and advanced wealth transfer strategies as soon as possible, rather than waiting for late 2012, just before the current provisions expire and 55% estate tax rates with a $1 million exclusion amount automatically return.

This recommendation is driven by two objectives:

1. To shift future appreciation out of the transferor's estate immediately, given historically low valuations of businesses, real estate and private equity; and
2. To avoid the chance that the Obama FY 2012 budget proposals, if enacted, would raise transfer tax rates and lower the exclusion amount effective January 1, 2012.

The unusually generous 35% rates and $5 million unified exclusion amount also provide the unique opportunity for gift tax and GST tax rescue strategies. Previous mistakes, valuation problems and failures to properly allocate GST exclusions may be solved elegantly during the current window period.

Finally, the expected Dodd-Frank regulations remain a significant threat to even small Single Family Offices which may be required to register as Registered Investment Advisors (RIAs) or as broker-dealers. The high level of concern in the marketplace is derived primarily from:

1. Extremely broad construction almost universally employed by the SEC in enforcing securities laws;
2. Wide discretion afforded to SEC officials due as a result of the general lack of written guidance or precedent, inordinate power of the Agency, and lack of effective Congressional oversight;
3. SEC policy of publicly displaying its proceedings and the Dodd-Frank directive to share information with other government agencies; and,

4. Additional costs of compliance, restructuring of family offices, mandatory compliance officer and additional record-keeping and loss of privacy due to required filings and audits pursuant to the expected regulations.

About Handler Thayer, LLP

Handler Thayer, LLP is one of the premier private client law firms in the U.S. Its national and international practice, based out of Chicago, Illinois utilizes interdisciplinary teams of advanced planning attorneys. Handler Thayer, LLP is dedicated to providing distinctive, technologically-current and responsive services to affluent families, privately held businesses and family offices. Firm clientele include prominent entrepreneurs, celebrities, and family offices.

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