

Head winds aside, family offices are bullish Most expect solid growth over next six months

By [Charles Paikert](#)

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Multifamily offices are expecting robust growth in the next six months, despite the continued financial paralysis of many wealthy clients.

San Francisco-based Aspiriant LLC, which manages \$4.1 billion, expects assets to grow 20% by the end of the year, according to chief operating officer Rob Francais. The firm plans to conduct focus groups with clients to assess how it performed during the financial crisis and what motivates investors to give — or withhold — a reference, he said.

Leslie Quick, founder and partner of Morristown, N.J.-based Massey Quick & Co. LLC, said that the firm is optimistic that it can increase assets by December, in part by combing through its database for potential clients and asking existing clients for referrals. The firm has \$1.3 billion in assets.

Strong industrywide growth of more than 20% for the rest of the year is “not unreasonable,” and may be boosted by mergers, acquisitions and joint ventures among family offices, said John Benevides, president of the Chicago-based Family Office Exchange,

“There are going to be many more active conversations around business combinations,” he said. “As water came out of the tank in the beginning of the year, a lot of firms looked around and asked, “How long and in what way can we stay in this business?””

Indeed, GenSpring Family Offices LLC of Palm Beach Gardens, Fla., has already made two acquisitions this year and expects to make more in the next six months, according to John Elmes, a senior partner based in Chevy Chase, Md.

In addition, GenSpring, which manages \$16 billion in assets, is in discussions to form partnerships and joint ventures with single-family offices, he said.

“We're aggressively pursuing acquisitions, and single-family offices are coming to us and asking us for help,” he said.

Multifamily offices planning to grow organically are launching a number of initiatives to attract and retain clients.

GenSpring has polled its clients on “what-keeps-me-awake-at-night issues” and has launched a series of “content events” for wealthy clients and their friends on issues such as prenuptial agreements, Mr. Elmes said.

And a number of firms are collaborating with organizations such as the Family Office Exchange and the Foundation Source to hold events on topics such as running a family business, health care and charitable giving.

Family offices may, in fact, need to use all the tricks in their bags to increase assets and add clients in the face of the loss of confidence in financial advisers resulting from the market crash and the scandals involving Bernard Madoff and Stanford Financial Group.

“Firms still face a head wind of indecision on the part of certain families,” said Tom Livergood, chief executive of The Family Wealth Alliance LLC of Wheaton, Ill.

“There's still a lack of trust and great uncertainty on the part of many wealthy families,” said Michael Farrell, managing director of the SEI Wealth Network, a wealth management and family office unit within SEI of Oaks, Pa. “Families are asking themselves if they're OK, and until they're sure that they are, they're not doing anything.”

The financial crisis has also heightened the need for multifamily offices to raise awareness about what they do and how they differ from other financial services firms, industry executives said.

“Families still don't know that choices like this are available, and are stuck on going to [The] Goldman Sachs [Group Inc.] or Morgan Stanley. Differentiating the true multifamily office from other firms in the financial service industry is a huge challenge,” Mr. Elmes said.

“Positioning is critical,” Mr. Benevides said.

“Families have to understand why a multifamily office's value proposition is different,” he said. “One example of how a family office could do that is to have a conversation about the process they utilize to serve families, as opposed to the products that are available.”

Boosting efficiency and finding economies of scale, especially in light of asset declines last year, has also become a priority for multifamily offices.

“MFOs need scale in this environment,” said Thomas Handler, a partner for Handler Thayer LLP in Chicago, a law firm that works closely with multifamily offices. “There are more players in the market, competition is increasing, revenues are falling, and expenses are fixed, which hurts the opportunity for [profit-margin] yields.”

Mr. Elmes agrees.

“We have to get more efficient. We have to continue to find things in the multifamily office that are scalable, versus ones that aren't,” Mr. Elmes said.

“Client-facing services are not scalable, but areas like due diligence, access to managers and buying power are.”

Another hurdle facing multifamily offices is their relatively small size, compared with large banks, trust companies and financial conglomerates, said Jeffrey Lauterbach, a Chadds Ford, Pa.-based adviser to multifamily offices.

“It's a continuity question,” he said. “Families will ask, "Are you going to be around as long as my family is?"”

Nonetheless, Mr. Lauterbach sees strong growth for multifamily offices, especially those that target families who have between \$20 million and \$50 million in investible assets.

“Brand-name institutions have been severely damaged, and high-net-worth clients are concerned,” he said. “Some will move.”

That sentiment is fueling the optimism of multifamily-office executives.

“There's more opportunity today than I've seen in a number of years,” said Mr. Farrell, whose unit at SEI manages nearly \$1 billion in assets.

“The industry is well-positioned to take advantage of issues like transparency, objectivity and due diligence that were once thought of as mundane,” Mr. Francais said. “From an organic-growth perspective, as families emerge from the ashes and dust themselves off, they're beginning to seek solutions that are more appropriate for long-term success.”

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