

Family Advisory Services Roundtable

Increasingly, families are working with a multifamily office to help simplify wealth management. Jim Rauh and Doug Regan share what Northern Trust is doing to help clients meet this need.



James M. Rauh is senior vice president and head of Advisory Services, Personal Financial Services. Before joining Northern Trust in 1997, Jim served on the management committee of Samuel C. Johnson's bank holding company and held various positions with Robert W. Baird & Co. A member of The Executives Club of Chicago and the Greater Milwaukee Committee, Jim is a director of the Brady Education Foundation. He holds a bachelor's degree in economics from the University of Wisconsin.

Q: Why did Northern Trust launch the Family Advisory Services program?

Rauh: For the last two years, I've been responsible for our Wealth Advisory practice, which focuses on clients who have significant needs but don't want to incur the expense or responsibility of maintaining their own family office and staff. While working with these clients, we saw an opportunity to help by expanding our capabilities to essentially become the family office for them. So we began offering our Family Advisory Services — through which Northern Trust introduces the concept of a multifamily office, versus a single-family office, to our clients — to provide sophisticated investment advisory solutions, comprehensive servicing of investment assets, wealth planning services and a list of family lifestyle services to

families who have the need but not the desire to establish and support their own office.

Q: What expenses are involved in running a single-family office?

Regan: A family office is a personal decision and so is the amount of money a family is willing to allocate annually to support the infrastructure and the people they employ to run it. And because families also need to fund retirement and health care plans for their family office employees, running a family office can become an expensive, long-term proposition. Typically, a family office evolves out of a wealth-creating event, such as selling a business, and starts with a nucleus of two or three employees. Over time, offices often grow by adding in-house tax specialists, investment

specialists, financial consultants or educational representatives who help future generations understand the responsibilities of wealth. We'd estimate that a fairly straightforward family office has a budget of about \$1 million a year. So it only begins to make economic sense for families with at least \$300 million of investable assets.

Q: Who would benefit most from partnering with Family Advisory Services?

Rauh: While it's imprecise to measure a family's needs by the size of its wealth, this often serves as a good barometer. And what we've come to realize is that families with roughly \$50 million of investable assets often have more complex financial lives than families with \$10 million or \$20 million. That complexity comes with having multiple residences, the desire to provide more comprehensive accounting and reporting services for the extended family, business partnerships and ownership structures. So, for families within that \$50 million to \$300 million range, we serve as their multifamily office.

Q: How substantial is the market for this kind of service?

Rauh: According to our research, the number of U.S. households with at least \$50 million of investable assets has more than tripled over the last decade. It's grown from 4,000 households in 1998 to more than 14,000 in 2008. Additionally, we found heavy concentrations of these wealthy families in markets where Northern Trust already is located, including areas in or around New York City, southwest Connecticut, San Francisco, Los Angeles, Chicago, Boston, southeast Florida and Dallas. We have strong representation in these particular markets, which now are home to more than a third of those households with \$50 million of investable assets.

Regan: Also, other data we've seen shows that the primary focus of families of scale revolves around their investment

solutions strategies. So we think that providing family advisory services really plays into one of our strengths, which is having a full, open-architecture investment platform.

Q: What specific services are available to Family Advisory Services clients?

Rauh: Our comprehensive family advisory services fall into four main categories. The first is our investment advisory services, which are designed to protect and grow a family's wealth. The second is asset servicing and technology, which tracks their wealth. Third, our strategic planning services will help to protect and transfer wealth during their lifetime or upon their death. And, fourth, our family services will address lifestyle management, concierge and personal services for families.

Q: Because a multifamily office serves several clients, how does Northern Trust make sure that each family's individual needs are taken care of?

Rauh: First, we surround them with five or six dedicated Northern Trust team members, one of whom will serve as the family's primary point of contact. The others will be people who specialize in the certain areas required for that family.

Regan: Once we partner with a family, we provide a roadmap tailored to their specific needs and interests that spells out the services they can expect from us over the next 12 months. We map out a strategic wealth plan for that family annually to make sure we're regularly hitting topics of interest, such as taxes, philanthropic planning, education, financial planning and more. This way, they can see on the first day of the year what the next 365 days will look like with us as their partner. We take a holistic approach to wealth management, making sure all of the pieces of their financial picture fit together to support the family's goals. ■



Douglas P. Regan is president of Northern Trust's Wealth Management Group. Doug has served in several capacities since joining the bank in 1985, most recently as chairman and chief executive for the southeast region, responsible for 25 offices in Florida and Atlanta. He has taught at the National Trust School at Northwestern University and at the University of Notre Dame's Graduate School of Business Administration. Doug currently serves on the board of The Old Town School in Chicago. He earned a bachelor's degree from Notre Dame and a law degree from the Chicago Kent College of Law.