

Structuring Your Family Office

Evaluating What You Need and How to Achieve It

Powerful custody, accounting and outsourcing services for family offices, investment managers and trust companies



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Discussion Topics for Today

What are the important trends to consider?

What type of multi family office do I want to be?

What components do I need to consider?

What are my options for implementing those components?

What are the benefits of in-sourcing versus outsourcing those components?

Current Industry Trends

- Economic
 - Shift from large institutions to smaller more personal boutiques
 - Conflict free business model
 - Revenues still down, fixed costs stay the same
- Regulatory
 - Oversight for SFOs
 - “The Custody Rule” for advisors
 - Gift/Estate Tax
 - Families desire for improved oversight
- Competitive Landscape
 - MFO consolidation
 - SFOs partnering with MFOs
 - SFO disaggregation
 - RIA’s considering broadening their scope of services
 - Institutional Managers entering SFO/MFO space

Current Industry Trends, continued

- Outsourcing
 - Greater acceptance of outsourcing
 - Greater array of options available
 - Firms are reassessing their core vs. non-core functions
 - Tailored solutions are required
- Staffing
 - Sustainability
 - Expertise
 - Cost
- Client Service
 - High touch service remains requirement
 - Improved focus on “value” activities

What type of family office do I want to be?

- Top Down Approach
 - Knowing who you want to be is key to getting there
 - Mission Statement
 - Branding/Value Proposition
- Registration/Legal Entity
 - RIA
 - Private Trust Company
 - Other
- Services to offer
 - Needs of the marketplace
 - Capabilities of the firm
- Other Considerations
 - Governance
 - Fee arrangement

Common MFO Services

- Investment Management
- Liquidity Planning
- Master Custody
- Consolidated Reporting
- Financial and Estate Planning
- Tax Planning and Reporting
- Compliance
- Partnership Accounting
- Trustee Services and Trust Management
- Billing and Bill Pay
- On line Statements and Document Vault
- Charitable Counseling
- Family Advisory Business
- Domestic Household Staffing
- Foundation Consulting
- Family Relationships and Education
- Aircraft Management
- Art Advisory
- Security and Insurance
- Concierge Services

What do I need to consider?

- Operations
 - Tasks and Workflows
 - What do I offer and how?
 - Analysis of outsourcing versus in-sourcing
 - Staffing considerations
 - What are the skills required?
 - Existing staff evaluation, if applicable
 - Building a bench
 - Continual knowledge and education
 - Documentation
 - Policies and Procedures
 - Controls
 - Training

Current Technology Trends

- More vendors focused on the family office marketplace
- Greater acceptance of outsourcing as a potential alternative
- Evolution of Software as a service (SaaS)
- Improved integration tools
- Comprehensive or modular models
- Data aggregation options grow
- Better presentation layers

Technology Considerations

- Assess your technology personality
 - Command and Control
 - Comfort with outsourcing
 - Internal Capabilities
 - Anticipate future/growth
 - Global, multicurrency, alternatives, third party managers/platforms
 - Amount of new business expected
- Approaches
 - Bundled solution vs. best of breed solutions
 - In-sourcing versus outsourcing

Factors that drive technology decisions

- **Business Model**

- Regulatory framework
- Services offered
- Single office vs. multiple locations

- **Investment Approach**

- Manager of Managers
- Direct investing
- Alternative Investments
- Investment vehicles

- **Operations**

- Resources and talent
- Outsourcing
- Scale
- Multiple custodians

- **Client Interaction**

- Customization
- Reporting
- Web

Closing Comments

- Consider the trends
- Top down approach
- Strategy is important to help guide direction
- Analysis of the details and execution is equally important
- Choose the right partners

- **About State Street Wealth Manager Services**

With \$16.4 trillion in assets under custody and administration, and \$1.6 trillion in assets under management, State Street is one of the world's leading providers of financial services to institutional and wealth management investors.

Our dedicated Wealth Manager Services group delivers outsourcing and investment servicing solutions for registered investment advisors, wealth managers, trust companies and banks, private wealth management firms, and single- and multi-family offices. Our customers benefit from the in-depth market expertise, dedicated service and flexible solutions of a boutique firm with the scale and breadth of a global financial services institution.

- **About Family Office Metrics**

Family Office Metrics is an independent and objective firm that provides consulting and research to the family office and wealth management industries. We focus on the business of family offices by providing strategy, operations and technology consulting as well as providing the industry's premier operations and technology conference. Visit us on the web at www.familyofficemetrics.com and follow us on Twitter.

Speaker Biographies

Paul Amaral

Vice President, State Street Wealth Manager Services

Paul Amaral has 16 years of Financial Services experience with State Street. He began his career in Institutional Operations within the Mutual Funds division working with and eventually heading up several teams. He expanded his knowledge base by heading up the offshore custody team within his unit and servicing foreign custodians in the capacity as a US sub custodian.

From Operations, Paul joined the Business Project Services division to serve as a business analyst for a proprietary straight-through processing system developed by State Street and rolled out to all of the Mutual Fund divisions around the world.

He joined Wealth Manager Services in 2002 and was a founding member of the Project Office which was responsible for client conversions. He served as the business project manager and conversion resource for 7 client conversions during the start up of the division.

In September 2007, Paul joined the client relationship management team servicing Family Office and Registered Investment Advisors. He has 3 dedicated relationship management teams servicing a wide variety of clients and providing oversight to the operational infrastructure within the division and the bank. Due to his operational, technological and relationship management background, he brings with him an extensive background of our division, our corporation and the industry.

Paul is a graduate of Hofstra University where he received a B.B.A. in International Business.

Speaker Biographies

Mark Wickersham **Senior Associate, Family Office Metrics**

Mark Wickersham brings over 18 years of financial technology experience to Family Office Metrics. Prior to joining, Mark spent 10 years at Fidelity Investments managing and developing technology solutions for Registered Investment Advisors, Multiple Family Offices, and Single Family Offices. At Fidelity's Institutional Wealth Management group Mark managed key third-party relationships such as Advent and CheckFree, as well as the development of in-house products that helped Fidelity and independent investment advisors grow their investment businesses. Mark helped Fidelity launch Fidelity Family Office Services, a division focused on serving the specific needs of family offices. Prior to joining Fidelity, Mark worked at Thomson Financial Software where he serviced domestic and European based clients implement global portfolio management and trade order management systems.

Mark has an extensive background in product management, competitive intelligence and research, business requirements, systems design, usability, and understanding the needs of users. This, combined with his understanding of portfolio accounting, performance measurement, and alternative investments, enables Mark to bring significant value to all his client engagements.

Since joining Family Office Metrics, Mark has helped clients select and implement portfolio and partnership accounting systems, investment analytics and contact managements systems, and evaluate trust systems. Mark has helped assisted clients with the operational aspects of their business such as selecting back office wealth management providers, develop policies and procedures and evaluating technology solutions from various custodians. Mark also has a strong project management background and has helped our larger engagements clients establish and manage project management functions.

In addition to Mark's consulting responsibilities he is also responsible for business development in the New England and managing key institutional relationships.

Mark is a graduate of Southern New Hampshire University (B.S. in Economics\Finance). He is located in Boston, MA.