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OUTSOURCING IN SINGLE-FAMILY OFFICES

Many of the ultra-affluent are choosing to take ever-greater control of various aspects of their lives, by establishing and maintaining single-family offices.

BY RUSS ALAN PRINCE

With the more onerous regulation of hedge funds in the United States, we're seeing a number of the more successful hedge fund managers returning investor money and converting their fund management companies into single-family offices. These investment geniuses will still be directly or indirectly managing their own wealth. Moreover, they'll often be incorporating a wider range of services for themselves and their families.

Single-family offices are regularly designed to address a wide array of issues, from investing the family's liquid wealth to dealing with on-going business and real estate interests, to providing and coordinating an array of lifestyle services such as concierge healthcare and family security. "Based on our experience working to set up and support single-family offices, there is one very big consideration, and that's cost," explains Richard J. Flynn, head of the **Rothstein Kass Family Office Group** in New York. "Depending on what the family office will and will not be doing, they can be expensive operations to run."

With the increasing growth among the extremely wealthy in terms of both numbers and money, the single-family office is becoming, relatively speaking, more and more common. At the same time, the costs of maintaining a single-family office are escalating. Because of this sometimes-considerable

expense, more than ever single-family offices are often inclined to outsource certain services and functions.

"When we get involved with single-family offices, it usually involves operational matters," notes Flynn. "We're often asked to evaluate the systems and processes that are being employed. It's not uncommon for us to end up taking over some of the administrative functions, including the tax and related reporting requirements."

According to Keith M. Bloomfield, president and CEO of the **Forbes Family Trust** in New York, "We've been called on by quite a number of the very large single-family offices—in the billion dollar and up range—to help them provide certain services to and for their families. Sometimes we're talking about money management. Other times we're talking about sophisticated planning services."

In the field of sophisticated planning, bringing the expertise in-house tends to be out of the question for many single-family offices—it's simply too expensive a proposition. "In these situations, we have our own experts on staff and we usually bring in additional specialists," explains Bloomfield. "The specialists we bring to the table are always leading authorities in their respective fields."



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