



# FAMILY OFFICE OUTLOOK

WWW.HANDLERTHAYER.COM

**March 2015**

In 2014, Handler Thayer attorneys attended and presented at over 20 Tax, Estate, Family Office and Wealth Management conferences, including those hosted by *Family Office Review*, Family Office Association, Family Office Club, Family Wealth Alliance, Lido Consulting and Opal Financial Group. Based on industry research, direct client experience and other observations, here are the Top Ten Trends in the family office world for 2015:

1. Family offices have continued to proliferate globally, particularly in Asia and South America, as families and professional advisors continue to recognize family offices as the global best-in-class approach to long-term wealth management and preservation.
2. Taxpayer flight has increased globally at an unprecedented level as families, capital and businesses continue to exit high-tax and socialist countries, states, provinces, territories, cities, etc. in favor of low-tax and no-tax jurisdictions.
3. Increasing global over-regulation such as the Dodd-Frank Act, Patriot Act and FATCA have materially increased compliance costs for banks, financial institutions, and family offices. Broad construction of these laws by the SEC, CFTC and FTC are making investment and trading less efficient and adversely impacting capital formation.
4. Family offices are increasingly focused on privacy, security, asset protection, premarital planning and overall risk management, driven by escalating litigation, personal security threats, and highly aggressive government agencies.
5. Audit examinations of affluent U.S. taxpayers have increased dramatically in recent years. The advent of FATCA, the IRS “Wealth Squad” (Global High Wealth Industry

Group) and similar organizations in other countries has resulted in greater scrutiny of affluent families, family businesses and family offices which will likely continue.

6. Due to increasing compliance requirements and escalating scrutiny, “embedded” family offices inside family operating companies have continued to lose favor as virtual family offices (VFOs) continue to proliferate and outsourcing to multi-family offices (MFOs) increases. Embedded family offices, however, continue to be commonplace in Asia and South America.
7. Family Wealth Alliance research indicates that over 50% of United States-based family offices own or control one or more family business operating companies.
8. Financial advisors believe that even after the 2008 economic meltdown and ongoing Great Recession, most family offices with operating companies fail to appreciate liquidity risk and wrongfully view family businesses as just another investment asset in their portfolios.
9. U.S. and European family offices are increasingly seeking and participating in direct investments, particularly in private equity. 2014 saw significant family office investments in real estate; this trend is expected to continue in 2015 along with increasing globalization of families, family businesses and family assets.
10. The United States continues to emerge as the top global safe haven for significant family office financial assets. Over the last decade, MFOs have continued to proliferate and expand as the fastest growing manager of family portfolios among banks, trust companies, outsourced CIOs and other financial institutions.

**Thomas J. Handler, J.D.**  
**Chairman, Advanced Planning & Family Office Practice Group**