



THE BUSINESS OF FAMILY

*Melissa James, market leader in Australia and New Zealand,
Family Office Exchange*

From working alongside yachtsman Iain Murray to board adviser of the Oatley Family Office, Melissa James has become an expert in the business of family. Now she has been challenged with the task to lead the Australian expansion of Family Office Exchange (FOX), a US-based network of family offices and their advisers. **Laura Millan** reports.

James is one of the few people in Australia who have spent their whole career in the family office space. She landed her first job in the sector before finishing her law degree. The Murlan Group, Iain Murray's yacht business, was James' first taste of a family-owned enterprise and the experience set off her passion for the sector.

"I was assisting in expanding a new division of the business and in a way this helped me start my own entrepreneurial experience, as well as my interest in the family office space," she says.

During her five years at The Murlan Group, James witnessed the Olympic sailor design the modern version of the 18-foot Skiff, as well as the development of the Nippa 2.65 metre dinghy for children. The job allowed her to foster a relationship with the Oatley Family Office and in 2009 she joined it as a member of the advisory board and the executive committee.

Bob Oatley's own business trajectory included everything that James admires about family offices. Oatley founded Rosemount Estate in 1969, in the New South Wales Hunter Valley. Over the next thirty years, Rosemount became the second biggest selling Australian wine in the United States and the largest family-owned winery in Australia. In 2001, Oatley sold the wine business for \$1.5 billion to Southcorp.

"One of the many areas that attracts me to the family office sector is working with people who have a long term passion, who are pure visionaries. They are individuals, families, that have a deep commitment of taking an idea on a large scale and have that capacity to follow through with patience, tenacity and bring it to life to the highest possible standard," James says, and adds that these features "epitomise lots of characteristics of the family office sector."

James thinks that the family office environment is unique because "there is this need for diversity which comes from the multigenerational input and the fundamentally entrepreneurial spirit in the families." This is combined with "a very healthy underlying focus on wealth preservation and conservative approach."

Working in a family office "is very hands on, you get exposure to an incredible array of different facets, there is this immense diversity to what you do in a family office environment that can be quite different to traditional corporate, so I feel quite privileged to have worked there almost all of my professional career."

Australia: An ongoing evolution

The Australian family office space has become increasingly diverse over the last decades. To James, there is not one single definition that can capture the sector: "It depends to a certain extent on where the family is in the journey. We have extremely sophisticated multigenerational families in Australia at one end of the spectrum, and at the other end we have families that might have had a recent liquidity event through the sale of a business and are just starting on their family office journey."

However most recently, "there has been a development in that the knowledge is more advanced. The sector itself is maturing and that means that no matter what sophistication the particular families have, they now have a greater depth of resources to access."

In fact, education has become an essential feature for family offices: "Education of upcoming generations and having them involved and understanding the business and the origins of the family's wealth is quite an important point in the Australian market," James says.

In this particular area, "Australian families have started to look across the border and expressed their desire to learn from outside

Australia. They want to have those reference points of families who are more advanced in their lineage and who are multigenerational.

"Australians are looking more internationally to how that wealth has been sustained, both on the classic investment side, but also on the softer issues."

From the adviser's point of view, the scenario has also changed: "There has been an important evolution of the adviser's thinking beyond that traditional tax, legal, investment advice piece," James says.

More broadly, there is a need for input around family generational transitions, such as moving from the first to the second generation and looking at complexities and issues associated in each part. "In other areas, we've seen more growth of business-owning families that have had a liquidity event and who intend to form some sort of family office infrastructure."

A reference for Australian family offices

James was approached by Family Office Exchange (FOX), a Chicago-based family office network that wanted to set up shop in Australia.

FOX was founded in 1989 and has offices in New York, San Diego, Santa Barbara and London. About two thirds of its members (330) are family offices and a third is financial advisers working in the high net worth space.

During its first years, the organisation focused on what its president Alexandre Monnier calls "the basic issues."

"Initially, one of the issues we helped families with was how to get institutional quality custodial services at consistent prices because we realised there was a broad range of prices across family offices," Monnier explains. The next challenge was to determine best practices to run family offices efficiently and effectively.

"We guided them to identify best practices and requirements to succeed in a family office environment. Then, we helped define the skills required, which led to families being more effective at identifying qualified executives to manage their wealth and run their family offices," he says.

Over time, "the issues we started to tackle became more strategic. We dealt with bigger, and more challenging issues: governance, succession planning, risk management conflicts of interest, educating the next generation... They are still the primary areas of focus today in the US, Australia, Europe and Latin America, where we are seeing lots of interest these days."

The organisation currently assists family offices on issues such as technology, family governance, family education, leadership transition, adviser selection and evaluation, engagement in investment strategies, risk management and philanthropy.

The decision to open an Australian branch, the first outside of the US and the UK, came after a number of interactions with family offices and their advisers in Australia. "Initially, the first families found us because they were eager to learn. They did not want to reinvent the wheel, they wanted to learn from others. They had heard of FOX and connected with us when at the time we didn't really have a presence in Australia," Monnier says.

He describes the Australian family office community as "open minded and quite pragmatic. They want to learn, they are eager to exchange ideas with their peers from all over the world. These are all qualities that we seek in members of FOX because they enrich our community."



The quote

One of the many areas that attracts me to the family office sector is working with people who have a long term passion, who are pure visionaries.



In 2014, FOX launched a Family Enterprise Council in Australia, a peer group where family offices could interact and exchange ideas.

James explains that she intends to build the association's presence in Australia "through our online presence and through word of mouth."

She wants FOX to become "a go-to point where the Australian family office sector can find growth and knowledge, best practice and networking."

Family offices in Australia will be able to access FOX's online discussion groups, where members ask questions and debate on a broad range of issues, from technical to strategic. The organisation also allows access to an archive of research curated for the last 25 years. It includes about 200 webinars and series of documents that members have contributed such as job descriptions for the main roles in a family office.

Members have a direct point of contact, a relationship manager that helps them find the information they need, inside or outside FOX.

High net worth advisers can also benefit from resources that will help them build their product offering and their business model, based on what has worked in other markets internationally.

A window to global wisdom

Monnier thinks that while there are some issues specific to the Australian market, family offices all over the world share the same challenges and are exposed to similar trends.

"There are more synergies between single family offices and multifamily offices. For many years there was definitely a fork in the road and families either hired advisers or a multifamily office, or they set up a full-service family office to take care of the broad

range of needs of the family."

Nowadays "we are seeing that there is a broader spectrum of options where families decide to do some things in-house in the family office and to outsource others."

Multifamily offices have also become better at partnering with single family offices and with their financial advisers.

"Often the criteria that families use to decide what they want to retain in-house have to do with confidentiality, control and customisation.

"These are the types of issues that stay within the family office. Services that are more generic, more standard, tend to be outsourced," Monnier says. As an example, he talks about bill payment. However, "something like philanthropy, which is often very personal and approached in a very specific way, is more likely to be kept within the family office."

But there are still differences. Estate planning is usually an issue for Europeans and Americans because these regions will typically have an estate tax, commonly known as 'death tax'. So family offices will structure the ownership of assets keeping this in mind, and will always try to minimise the tax implications of a succession.

While counterparts overseas have been focused on wealth creation during the years following the global financial crisis, Australians have put all their effort to wealth creation. "When you are in a growth environment, the way you deal with family wealth is obviously different than in a recession, where your position is more defensive and gravitates more around risk management," Monnier explains.

Now that growth in Australia is expected to slow down, family offices are looking at the preservation strategies that others have implemented during the toughest years of the financial crisis. **FS**



Case study: Setting up a family office

One of FOX's clients in Australia is the son of an Australian businessman that had just sold the family business through an initial public offering (IPO). "The son had been asked by the father to set up a family office and he came to FOX to learn how to do it and how to set up and run a family office so he wouldn't have

to start from scratch," Monnier explains.

FOX started by asking the client for their primary goal, "which is the purpose of their wealth, what they were trying to achieve and what were the goals that the family collectively wanted to achieve."

Once this was established, "we helped them frame an understanding of where they wanted to go. We helped them to put together a plan to get there."

FOX put them in touch with other members from the community

that had gone through similar situations. When the time came to implement the strategy, all members of the family undertook training: "Their son used our training modules to educate his siblings on responsible ownership and wealth preservation. He raised awareness and understanding at his generation, so second generation was on board and supportive of what he was trying to achieve."

Another key issue for the family is how much it would cost to run the family office: "They didn't want to get into setting it up without knowing what the commitment was going to be."

Determining the cost "is not that easy to assess. You need to understand how complex it can be, what roles are going to be required and what profiles you're going to need to bring in."

Monnier acknowledges the difficulty of the process: "They had transitioned from running a family business to running the business of family. The business of family is very complex because there are a lot of moving parts. It's not a transition that happens by itself easily unless you're very thoughtful and disciplined in the way you deal with it."



Australian families have started to look across the border and expressed their desire to learn from outside Australia.