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PARTNERS

Da Family Business a Family Office

Presented To: Osservatorio Family Office, School of Management del Politecnico di Milano

Presented By: Kirby Rosplock, PhD | April 26, 2022

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Introduction to the Family Office

AGENDA

- **Purpose**
 - Definition
 - Services
- **Inception of a Family Office**
 - Family as a business vs. Family as an investor
- **Typology of a Family Office**
 - Ages and Stages
 - SFO vs. MFO
- **5 Best Practices**



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Definition

“an organization dedicated to serving wealthy individuals and/or families on a diverse range of financial, investing, estate, tax, accounting, and personal family needs”

PURPOSE

Purpose: to oversee and manage the wealth management affairs of highly affluent individuals and families

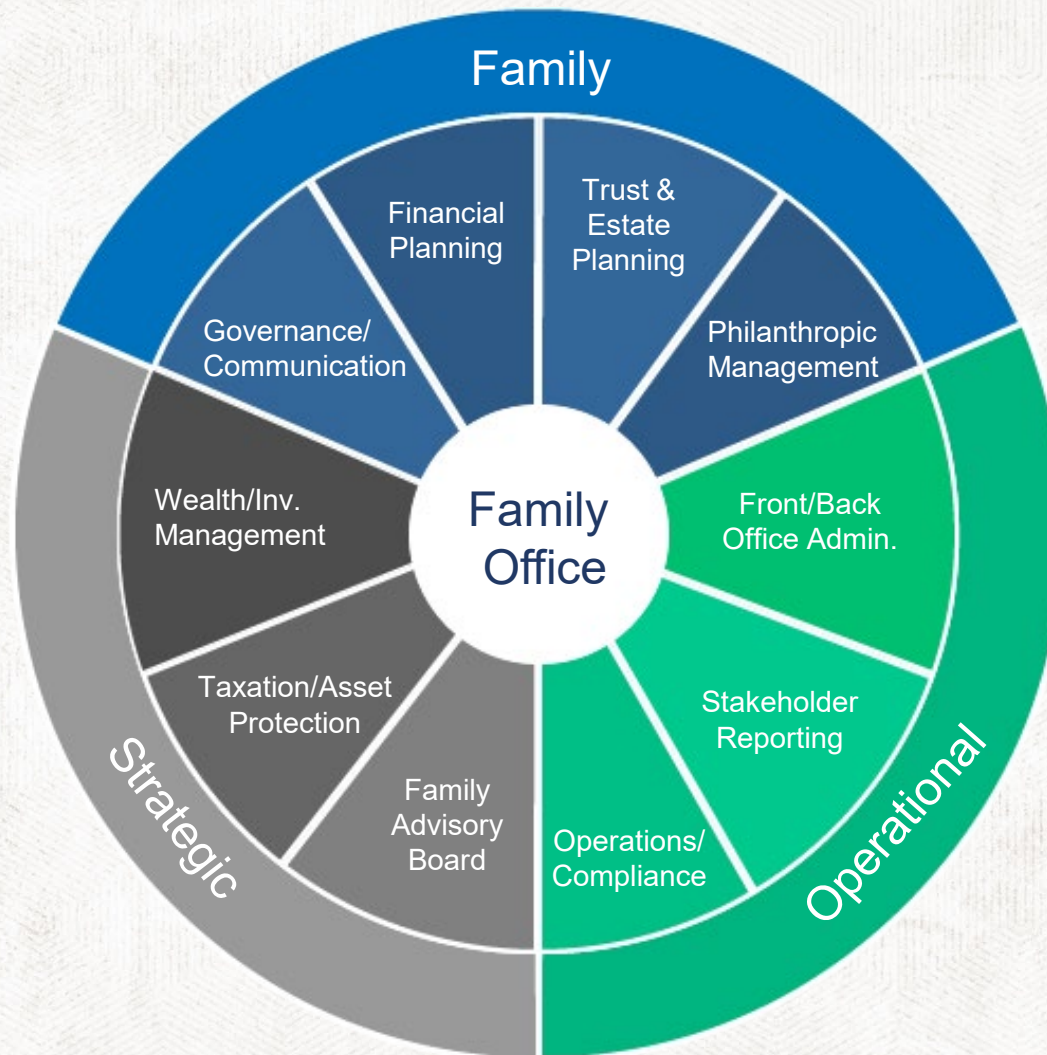
Focus Areas: Advisory, Financial Planning, Strategy, Governance, Investing

Source: The Complete Family Office Handbook, 2021.



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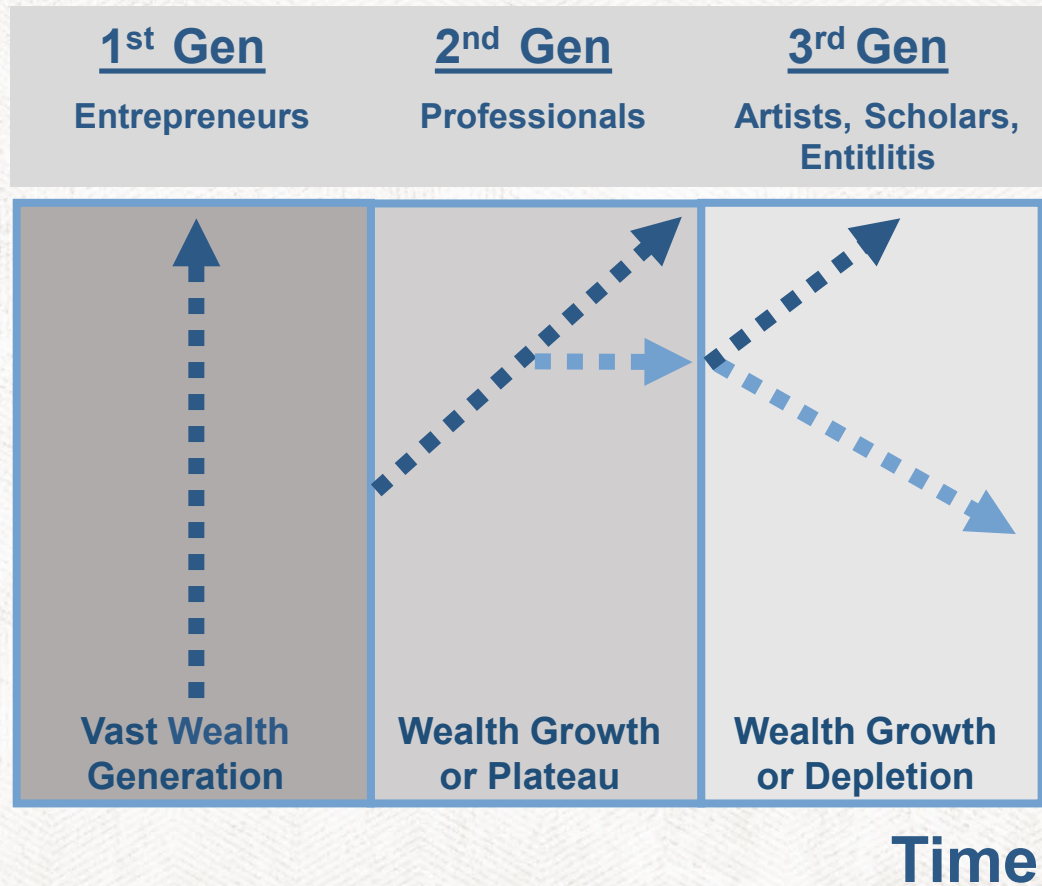
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INCEPTION OF THE FAMILY OFFICE

Wealth

Generational Wealth Stages

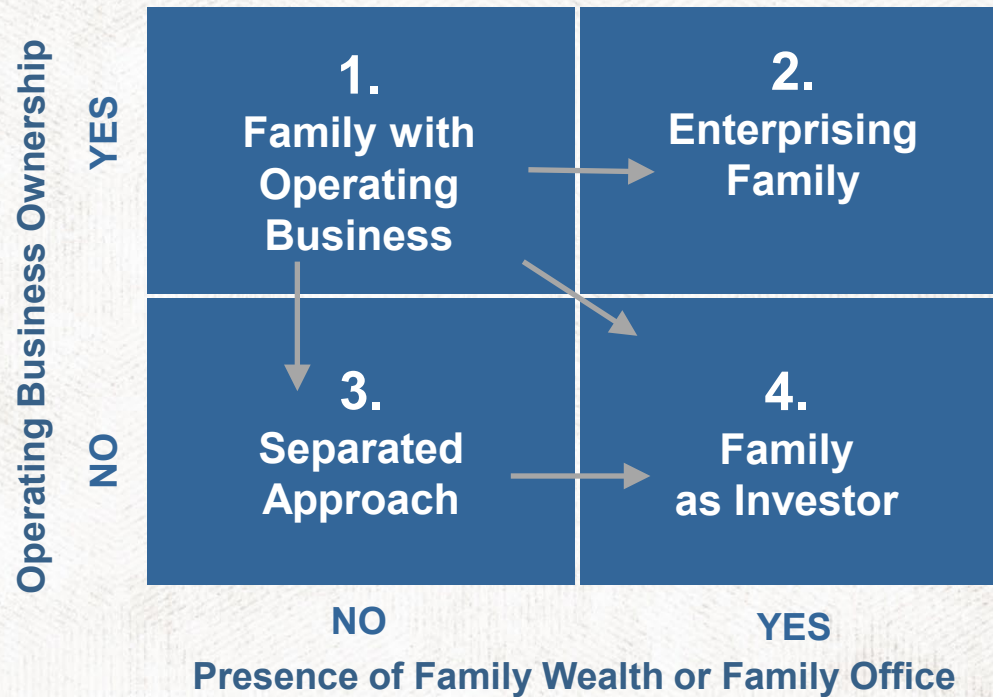


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A Typology of Enterprising Family Pathways

TYOLOGY



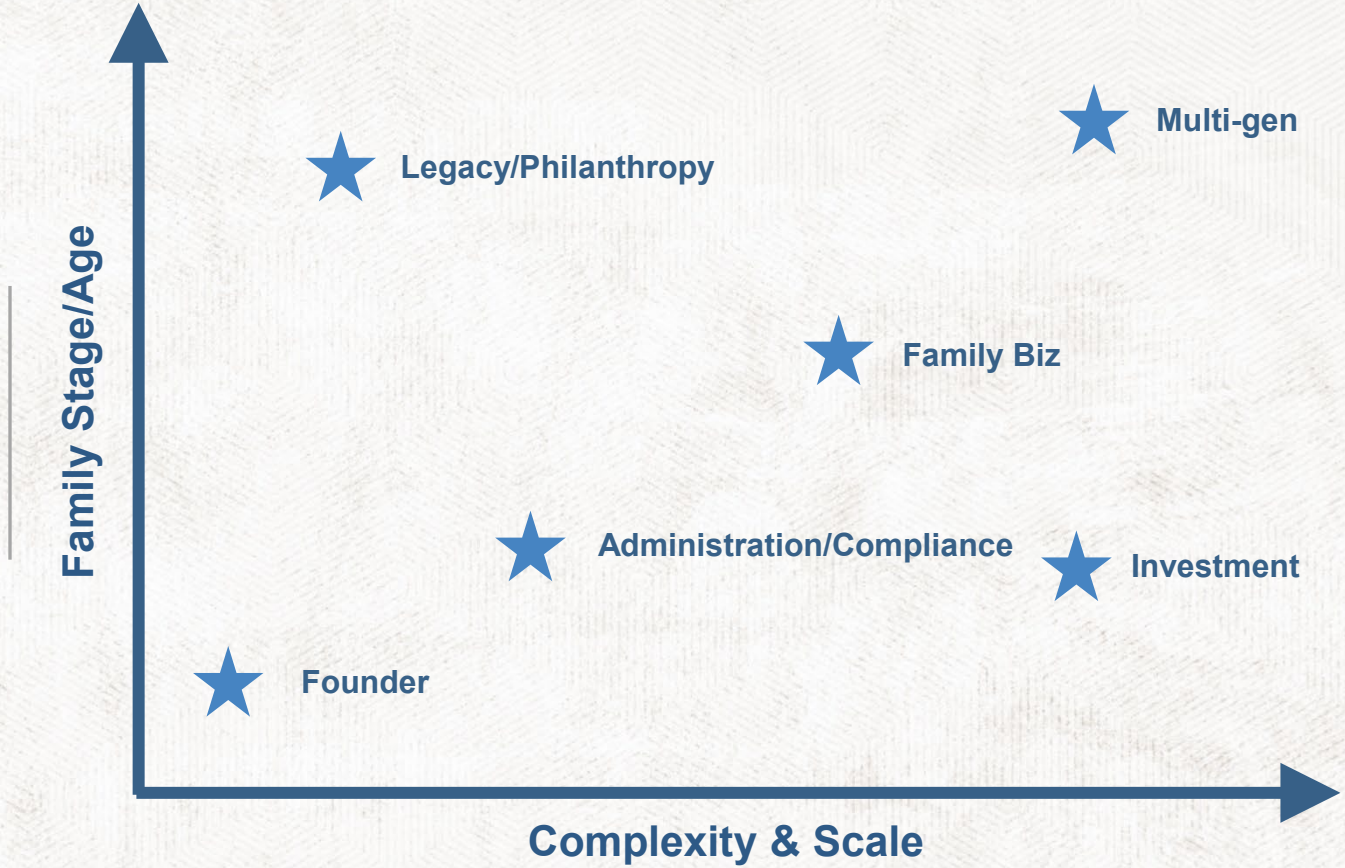
Source: J. Roure, J. L. Segurado, D. Welch, and K. Rosplock, *From the Family Business to the Family Office: Understanding the Development and Management of the Family's Other Investments, Ventures and Services FIVS*, IFERA Conference, Lancaster, England, July 2010



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FAMILY OFFICE TYPES



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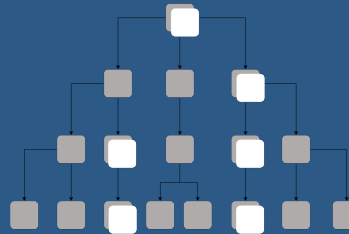
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Family Office Models / *Evolving Landscape*

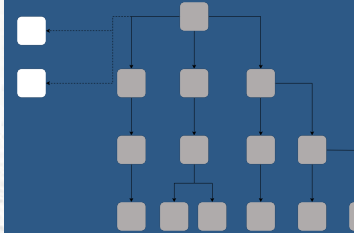
PATHWAYS TO A FAMILY OFFICE

Embedded Family Office



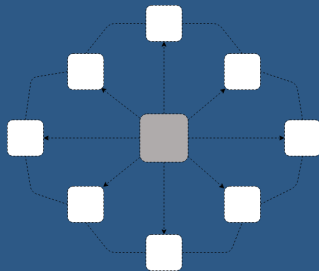
- Informal
- Shared structure(s)
- Governance influence by business
- Any size
- Business trumps
- Shared resources
- Staff where hats
- Time horizon flexible

Single Family Office (Built Out)



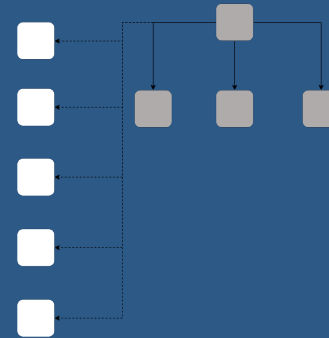
- Formalized
- Independent structure
- Formal mission
- AUM X> \$205M
- 1-3+ Generations
- Hierarchical
- Plan
- Long-term
- Comprehensive

Virtual Family Office



- "Hub & Spoke"
- Owner/Manager
- Size varies; typical AUM ≤\$250M
- 1+ Generations
- Conceptual/Founder phase
- Outsourced
- Reliant on outside professionals
- Limited infrastructure
- Time horizon flexible

Single Family Office (Outsourced)



- Formalized
- Independent structure
- Formal mission
- AUM>\$250+M
- 1-3+ Generations
- Flat Org. chart
- Long-term
- Small dedicated staff
- Reliant on outsourcing & outside professionals



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SFO vs. MFO

SFO vs MFO

PROS SFO

- Highest level of privacy and confidentiality
- Long-term personnel retention
- Personnel with insider knowledge
- Systems, policies, and procedures customized to family's needs
- Greatest opportunity for hands-on family involvement

PROS MFO

- Specialized, top-notch personnel
- Access to shared technology, techniques, or tools that might not be affordable or feasible on own
- Client best practice knowledge applied to guide the family
- Clearly-defined scope of services

CONS SFO

- Less agile in building capacity or downsizing
- Steep learning curve
- Costs
- Keeping current with technology and skills - systems, financial investments, accounting, tax
- Updating and maintaining

CONS MFO

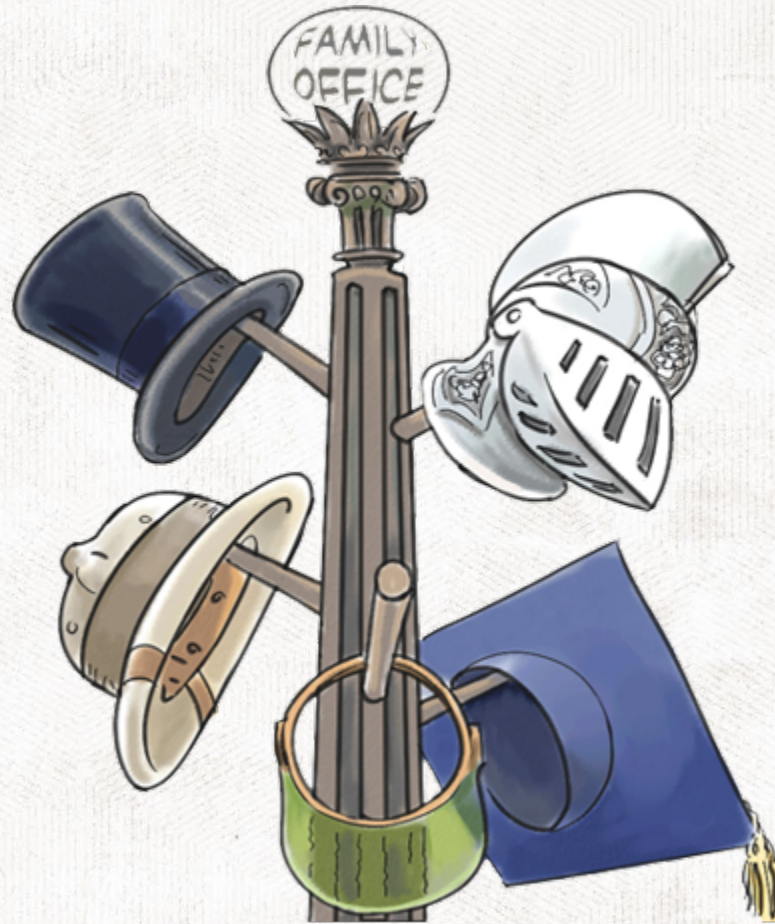
- Higher turnover
- Fees
- Family may be pressured to buy product/services
- Professionals may serve more clients; less dedicated
- Rollups or changes in ownership



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5 FAMILY OFFICE BEST PRACTICES



Source: Rosplock, K., *The Complete Family Office Handbook: A Guide For Affluent Families And The Advisors Who Serve Them*, 2014, page15



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The Family Office as The Keeper:

The family office role as a data repository



THE KEEPER

Best practices:

- Setting up secure; cloud based; virtual private network (VPNs); governance built into permissioning; tracking of who accesses, when last updated and iterated; macros for organizing, searching, and maintaining current files
- Having a back-up to local, secure, encrypted hard drive; annual audit of data management protocol; spot audits of folders/files/review of access



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THE GUARDIAN

The Family Office as The Guardian:

The family office role as the first line of security and digital defense

Best practices:

- Creating anonymity, confidentiality, cyber security, firewalls, software, “watch towers,” artificial intelligence, facial recognition, biometrics, stop loss/hedging
- Implementing encryption, social media guidelines (family and staff), on-site servers, disaster recovery, single sign-on (SSO), two-step authentication, password vault



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The Family Office as The Brain Trust:

The family office role as integrator and interpreter



THE BRAIN TRUST

Best practices:

- Establishing archives, multimedia storage, intranets, hardware, software, human capital, workflow, document management, online communication, and social media
- Expanded and real-time globalized network of best in breed advisors and experts; process and procedures for updating documentation and protocols; family education planning and a durable curriculum



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THE CONTROLLER

The Family Office as The Controller:

The family office role as the tracker, administrator, operations and control system

Best practices:

- Utilizing reporting/data aggregation software providers, such as Addepar, Archway, Proteus, Viewpoint, Wealth Access, Fi-Tek, Quovo, Eaton, Morningstar, Black Diamond
- Employing operations software providers, such as Cisco, Microsoft Exchange, Amazon servers, Google servers, Salesforce (CRM), IBM, SAP, Oracle, Microsoft Dynamics, Great Plains, Yardi
- Implementing a cloud-based platform, dedicated servers, secure mobile access, security, accessibility, live, efficient, data integrity, process controls, accountability measures, confidentiality, paperless, elimination of personnel/technology redundancies



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The Family Office as The Executor:

The family office role as governor, fiduciary, and planner



THE EXECUTOR

Best Practices:

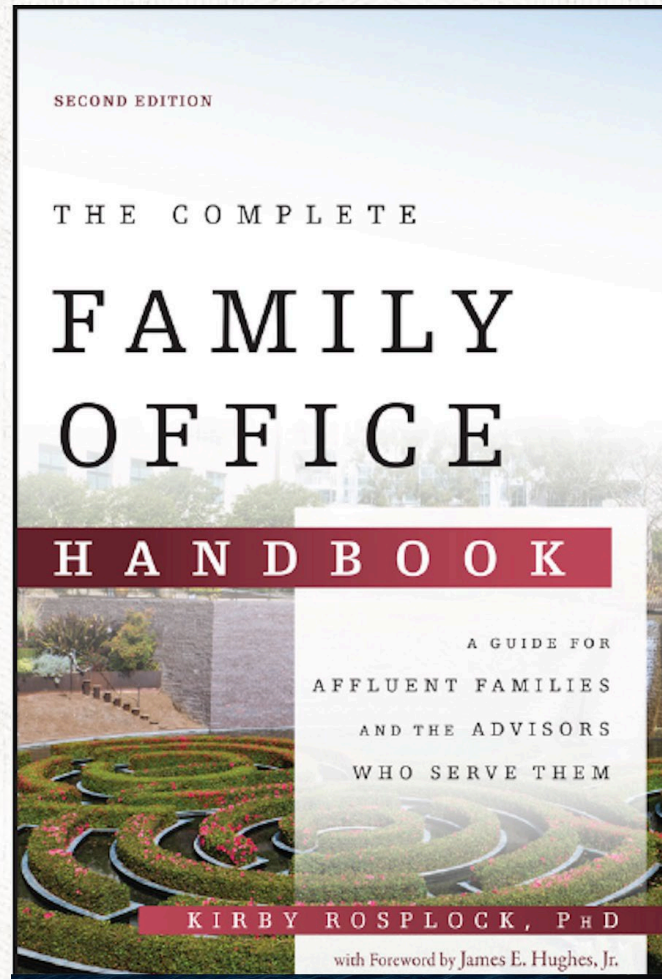
- Leveraging enhanced technology platforms that help document management processes, procedures, decision making authority, business, and family logic; family office governance, committees, board
- Setting up family governance, policies and manuals, training, system testing, audits, integration of human and technology resources; strategic planning programs



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FURTHER READING



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THANK YOU

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