Photographs by Rodney Smith

Higher Ground

Multifamily offices are all the rage. But how do you define one? Where do they come from? What challenges do they face? Our new study seeks to address those questions and more.

It started slowly and, consistent with their great regard for privacy, quietly. Family offices founded to cater to the needs of a single wealthy household began to open their generally unmarked doors to other clients. Bessemer Trust in New York made the move in 1975, followed by Laird Norton Trust (now Laird Norton Tyee) in Seattle in 1979.

This nascent universe of multifamily offices grew only in fits and starts. New entrants typically were the product of a merger

By Kieran Beer

between existing single-family offices seeking to spread their costs over a wider client base. Sentinel Trust, for example, was the product of a merger between the Fruehauf and Flowers families. Then the pace began to pick up. The 1980s and '90s saw an economic boom that swelled the ranks of wealthy families. Those decades also witnessed repeated waves of bank mergers. Turmoil inside the banks caused a precipitous decline in the quality of service offered by trust departments and private banking divisions to affluent clients.

The clients were ready to bolt if given an alternative. And, lo and behold, multifamily offices, which offer sophisticated financial management and a broad menu of high-touch services, found themselves ideally positioned to grab their business. The result has been a burst of growth over the past five years. Existing multifamily offices have expanded smartly; many wealth managers and financial-planning firms are moving aggressively to convert to the multifamily-office business model; notably, a few big banks are even acquiring multifamily offices as a way to reacquaint themselves with the ultra-affluent market.

In the face of all this activity, however, multifamily offices remained an unchronicled phenomenon—that is, until now. Bloomberg Wealth Manager has recently completed a groundbreaking study of this emerging universe, in cooperation with Family Office Management, a consulting firm in Oak Brook, Ill. Findings of the study are discussed in this article, which is accompanied by a listing of multifamily offices that we have identified as the leading players in this category.

For an introduction, let's take a look at some of the characteristics of this group, which totals 64 firms. The vast majority, 77 percent, are registered investment advisers, while 20 percent are banks or trust companies; the remainder are accounting and law firms and other closely held businesses. Descendants of single-family offices constitute 25 percent of the group, and 30 percent of the firms are owned wholly or in part by one or more of the families they

A Cut Above

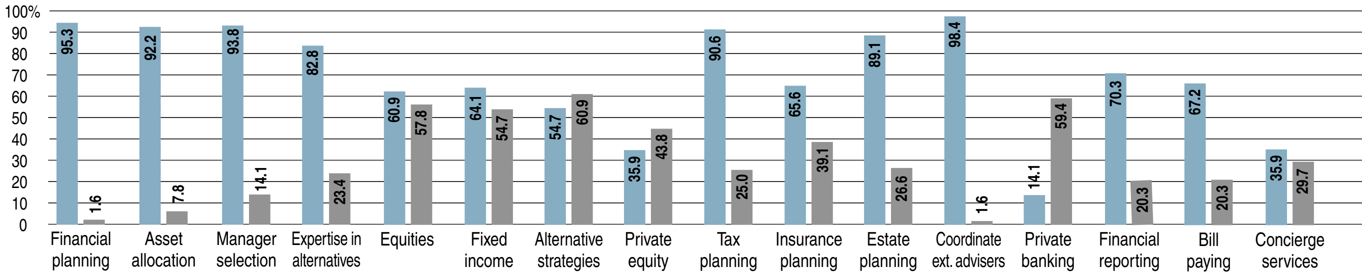
Aggregate statistics for our list of 64 multifamily offices that begins on page 82

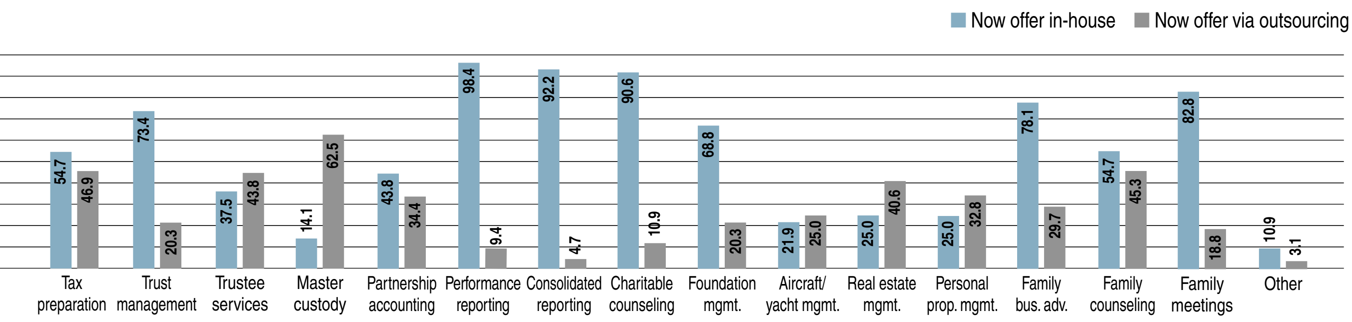
	2003 ($MM)	2002 ($MM)	% CHANGE
Median assets under advisement	889.1	714.8	24.4
Mean assets under advisement	2,649.1	2,266.1	16.9
Median multigenerational family assets under advisement	560.5	424.0	32.2
Mean multigenerational family assets under advisement	2,217.5	1,924.2	15.2
Median client relationships	25.5	21.0	21.4
Mean client relationships	93.7	85.7	9.3
Total multigenerational family assets under advisement	141,919.3	123,148.4	15.2
Median assets under advisement per multigenerational family	23.2	20.0	16.0
Mean assets under advisement per multigenerational family	47.6	39.3	21.1
Median minimum level of assets under management required of new clients	5.0	—	—
Mean minimum level of assets under management required of new clients	8.4	—	—
Median minimum annual fees required from new clients	$25,000*	—	—
Mean minimum annual fees required from new clients	$43,333*	—	—

*Fee information is reported in dollars.

Levels of Service

Percentage of listed firms that offer the following services




Now offer in-house
Now offer via outsourcing
54.7
46.9
73.4
20.3
37.5
43.8
14.1
62.5
43.8
34.4
98.4
9.4
92.2
4.7
90.6
10.9
68.8
20.3
21.9
25.0
25.0
40.6
25.0
32.8
78.1
29.7
54.7
45.3
82.8
18.8
10.9
3.1
Tax preparation
Trust management
Trustee services
Master custody
Partnership accounting
Performance reporting
Consolidated reporting
Charitable counseling
Foundation mgmt.
Aircraft/ yacht mgmt.
Real estate mgmt.
Personal prop. mgmt.
Family bus. adv.
Family counseling
Family meetings
Other

serve. Thirty-one percent were launched as multifamily offices, and 38 percent converted to the business model from financial-planning or investment-advisory firms. Only 14 of these firms (22 percent) report that they are wholly or partially owned subsidiaries of a larger financial institution.

The firms as a group are surprisingly young. Their median year of origin was 1990, and they began offering multifamily-office services on average in 1994. Aggregate assets grew 17 percent last year to $169.5 billion at year-end. Assets of multigenerational client families at the 64 firms climbed 15 percent to $141.9 billion, or 84 percent of total assets at year-end. Median assets per multigenerational client family were $23.2 million at year-end, versus a mean figure of $47.6 million. Collectively, the firms serve 5,996 multigenerational client families, up 9 percent from the end of 2002.

"This study represents the first published comprehensive look at an important emerging industry," says Tom Livergood, president of Family Office Management. "There obviously is tremendous dynamism among these firms. They are not your father's family office anymore."

The primary goals of the study were to (1) identify the leading multifamily-office firms, (2) obtain an understanding of their origins, business strategies, and service delivery models, and (3) work to develop a definition of what constitutes a multifamily office. (See "Methodology" on page 86.) Many methodology issues arise. For example, there is no generally accepted rule for reporting assets of these firms. The definition of assets under management used by registered investment advisers (RIAs) reporting to the Securities and Exchange Commission is itself ambiguous and differs from that used by trust banks. Neither definition is sufficiently precise or inclusive.

In particular, definitional problems regarding assets may arise with multifamily offices that include both an RIA and a trust company in their structure, such as Rockefeller & Co. The firm uses the term "assets under administration" and says it oversees $11 billion. That figure reflects the almost $4 billion it manages directly and reports as assets under management to the SEC and the billions that it

> "Purists say that you can't be a multifamily office unless you offer all these in-house services, and that you should own a trust company"

Onward and Upward

We asked the 64 multifamily offices listed on page 82 to identify and rank the top three challenges they face today. Below is a breakdown of their responses.

	NO. 1 CHALLENGE	NO. 2 CHALLENGE	NO. 3 CHALLENGE
Recruiting, developing, and retaining professional staff	17	6	6
Managing growth	12	5	6
Building awareness of the business model	9	5	7
Integrating information and technology/consolidation reporting	5	8	4
Maintaining or enhancing quality of service	4	4	5
Investing in a difficult market	2	8	2
Expanding client base	3	3	3
Enhancing service menu	1	4	3
Complying with all regulations	3	1	4
Improving family counseling and/or other nonfinancial services	1	2	3
Developing business strategy and succession plans	0	3	2
Improving efficiency and profitability	1	4	0
Pricing services or establishing account minimums	1	0	2
Managing client expectations	0	1	1

administers or oversees. “You have to understand there are assets we manage, assets we have some advisory responsibility for, and assets we do the record keeping on,” says James McDonald, chief executive officer of Rockefeller. A number of multifamily offices report a similar array of assets.

More fundamentally, there is no consensus on what constitutes a multifamily office. To be included in this study and listing, the firm had to offer an extensive menu of family-office services. We also required a minimum average size of $4 million for multigenerational client relationships and a minimum share of 25 percent of firm revenue coming from multigenerational client relationships.

The final list of 64 firms accompanying this article was gleaned from a universe of roughly twice that number that filled out our data questionnaire. Those not included in the final list were most likely to have been dropped because they derived too little of their revenue from multigenerational client relationships. However, it should be noted that a number of firms that did not make the cut are aggressively building their multifamily-office business and may find themselves meeting those thresholds in the next year or two.

Finally, the definitional question is more complex than just gauging sources of revenue or size of relationships. There are qualitative aspects as well. For many leaders in the multifamily-office field, the level of personal attention offered to families through such activities as intergenerational counseling or development of family mission statements is the hallmark of a multifamily office. Observes Henry "Hap" Perry, founder of Asset Management Advisors, a multifamily office bought by SunTrust Banks in 2001: "Multifamily offices replace institutions that focused on how to make a client richer in the next quarter with an eye, instead, toward helping them answer the question, 'How does my family benefit in this generation and future generations from all the work I've done? How does this wealth become a blessing to them instead of a curse?'"

Staffing Issues

Aggregate statistics for our list of 64

	2003
Median number of employees	17.5
Mean number of employees	41.9
Median number of client-relations managers	5.0
Mean number of client-relations managers	11.2
Median number of other professional employees	7.5
Mean number of other professional employees	17.5

Property Rights

A breakdown of where the firms are located

New York	12	Michigan	2
Pennsylvania	7	Virginia	2
California	6	Alabama	1
Minnesota	4	Arizona	1
Ohio	4	Illinois	1
Massachusetts	3	Indiana	1
Texas	3	Maryland	1
Washington	3	Missouri	1
Wisconsin	3	Nebraska	1
Colorado	2	New Jersey	1
Florida	2	New Mexico	1
Georgia	2		

As a group, the firms are surprisingly young. The median origin year was 1990, and they began offering multifamily-office services on average in 1994.

One important characteristic of multifamily offices is their breadth of services. First, they tend to offer the services available from a typical wealth-management firm, including financial planning, tax planning, estate planning, and investment consulting. Second, they also support an extensive menu of family-office services such as bill paying, consolidated reporting, trust monitoring, charitable consulting, concierge services, and family counseling.

Services most frequently offered in-house by multifamily offices are coordination of outside advisers (98.4 percent), performance reporting (also 98.4 percent), financial planning (95.3 percent), manager selection and oversight (93.8 percent), asset allocation (92.2 percent), and consolidated reporting (also 92.2 percent). Tax planning is offered in-house by 90.6 percent of respondents and in-house tax preparation by 54.7 percent.

Outsourcing is widespread among multifamily offices, and its use is spreading quickly. Some firms offer a particular service both in-house and through outsource providers—accommodating clients with simpler needs in-house, while obtaining more sophisticated services from vendors for clients who require them. For example, as noted, 90.6 percent of firms offer tax planning in-house, while 25.0 percent offer it though outsourcing.

Five years ago, according to Livergood, the quality of sophisticated family-office services available from outsource vendors was limited. Now that has changed, he says, with quality outsource-service providers offering a range of services, including trust administration, consolidated reporting, foundation management, and concierge services. "The purists will say that you can't be a multifamily office unless you offer all these in-house services—bill paying, concierge—and that you should own a trust company," says Livergood. "But we see profit margins shrinking, and that is forcing the next generation of multifamily offices to go to outsource-service providers."

Friends of the Family

FIRM NAME	LOCATION	TOTAL ASSETS UNDER ADVISEMENT 2003 ($MM)	% CHANGE FROM 2002	MULTIGENERATIONAL FAMILY ASSETS 2003 ($MM)	% CHANGE FROM 2002
Arlington Partners	Birmingham, AL	877.1	7.0	509.5	8.3
Ashbridge Investment Management	Philadelphia, PA	950.0	5.6	640.0	6.7
Asset Management Advisors	Palm Beach Gardens, FL	3,751.2	126.0	3,751.2	126.0
Atlantic Trust Private Wealth Management	Atlanta, GA	8,670.0	29.4	8,019.8	29.4
Aufman Associates	Sewickley, PA	466.3	36.5	179.4	40.6
Baldwin Management	West Conshohocken, PA	306.0	10.9	280.0	16.7
BBR Partners	New York, NY	1,579.5	53.9	1,344.2	51.8
Beaumont Financial Partners	Wellesley Hills, MA	724.5	21.4	112.3	60.4
Bessemer Trust	New York, NY	40,100.0	14.2	40,100.0	14.2
Bridgewater Advisors	New York, NY	400.0	66.7	240.0	140.0
Brighton Jones	Seattle, WA	550.0	78.6	440.0	76.0
Brooks Associates	Minneapolis, MN	400.0	0.0	400.0	0.0
Calibre	Philadelphia, PA	10,000.0	0.0	10,000.0	0.0
Catalyst FPIM	Oakland, CA	102.0	25.0	53.0	30.9
Clanco Management	Pepper Pike, OH	475.0	18.8	300.0	20.0
Clarfeld Financial Advisors	Tarrytown, NY	1,612.7	24.0	800.4	23.1
Financial Clarity	Mountain View, CA	598.7	18.6	548.0	22.3
Gail Wernes-Robertson Wealth Management	Omaha, NE	800.0	—	800.0	—
Gresham Partners	Chicago, IL	1,473.7	17.2	1,473.7	17.2
Greycourt	Pittsburgh, PA	3,000.0	30.4	2,306.3	12.4
Harris myCFO	Redwood City, CA	15,000.0	–11.8	15,000.0	–11.8
Highmount Capital	New York, NY	763.0	80.4	763.0	80.4
Hudson Advisor Services	Buffalo, NY	217.3	11.9	138.0	32.1
Independent Service	Minneapolis, MN	219.8	24.6	142.6	32.5
Inlign Wealth Management	Phoenix, AZ	611.0	62.1	441.0	48.0
Jacobus Wealth Management	Milwaukee, WI	345.0	34.8	345.0	34.8
Kanaly Trust	Houston, TX	1,510.0	7.9	571.0	7.3
Kochis Fitz	San Francisco, CA	1,100.0	38.4	284.0	65.1
Laird Norton Tyee	Seattle, WA	2,500.0	13.6	1,000.0	0.0
Lipson Group	Cleveland, OH	2,650.0	20.5	2,350.0	23.2
Lowry Hill	Minneapolis, MN	5,900.0	28.3	5,900.0	28.3
Lydian Wealth Management	Rockville, MD	4,800.0	33.3	3,000.0	15.4
Mahoney Cohen Family Office Services	New York, NY	8,000.0	0.0	2,500.0	0.0
MBP Associates	New York, NY	115.0	16.8	80.0	23.1
Nixon Peabody	Rochester, NY	1,700.0	13.3	1,700.0	13.3
Oxford Financial Group	Indianapolis, IN	6,800.0	15.3	2,100.0	16.7
Pitcairn Financial Group	Jenkintown, PA	2,000.0	14.3	2,000.0	14.3
Prosperitas Group	Bloomfield Hills, MI	200.0	0.0	200.0	0.0
Quintile Wealth Management	Los Angeles, CA	1,380.9	41.4	1,349.0	45.5
RINET	Boston, MA	799.7	40.8	500.0	42.9
Rockefeller & Co.	New York, NY	11,000.0	22.2	8,000.0	6.7
Round Table Services	Westfield, NJ	391.2	27.0	279.0	7.3

RIA = registered investment adviser; NCT = nationally chartered trust company; SCT = state-chartered trust company; LF = law firm; CPA = accounting firm. *Commodity pools operator. **Closely held business. ***Full-service trust operation is embedded in the Boston office of law firm.

MULTIGENERATIONAL FAMILY RELATIONSHIPS 2003	2002	AVG. MULTIGENERATIONAL FAMILY ASSETS 2003 ($)	% CHANGE FROM 2002	% OF REVENUE FROM FAMILIES	REGULATORY STRUCTURE	% OWNED BY FAMILIES	YEAR STARTED	MFO SERVICES OFFERED	MINIMUM AUM ($)	MINIMUM FEES ($)
8	9	63,690,679	21.9	80.0	RIA	—	1998	1998	1,000,000	—
35	33	18,285,714	0.6	75.0	RIA	≥50	1992	1992	10,000,000	75,000
208	127	18,034,819	38.0	100.0	RIA, SCT, other*	<50	1989	1990	10,000,000	—
760	480	10,552,303	–18.3	92.5	RIA	—	1980	1980	5,000,000	—
25	25	7,177,100	40.6	39.0	RIA	—	1983	1983	—	6,000
3	3	93,333,333	16.7	50.0	RIA	≥50	1999	1999	1,000,000	—
23	15	58,441,603	–1.0	80.0	RIA	—	2000	2000	10,000,000	—
24	18	4,679,167	20.3	33.0	RIA	<50	1981	1981	1,000,000	7,500
1,850	1,765	21,675,676	9.0	92.0	NCT	100	1907	1975	10,000,000	100,000
25	20	9,600,000	92.0	50.0	RIA	—	1991	1997	—	10,000
40	25	11,000,000	10.0	50.0	RIA	—	2000	2000	—	—
2	2	200,000,000	0.0	100.0	other**	100	1980	1980	—	—
100	100	100,000,000	0.0	100.0	bank	—	1778	1983	25,000,000	—
5	5	10,608,478	30.9	32.0	RIA	—	1996	1996	1,000,000	—
15	11	20,000,000	–12.0	100.0	RIA	—	1983	2001	10,000,000	125,000
24	20	33,348,125	2.6	60.0	RIA	—	1981	1981	5,000,000	—
20	16	27,399,550	–2.2	93.0	RIA	—	1992	1995	20,000,000	—
2	0	400,000,000	—	100.0	other	100	2003	2003	—	—
61	61	24,159,393	17.2	100.0	RIA	—	1997	1997	10,000,000	—
31	37	74,398,005	34.2	75.0	RIA	—	1988	1988	—	40,000
200	300	75,000,000	32.4	100.0	RIA	—	2002	2002	—	—
49	31	15,571,429	14.1	100.0	RIA	—	2002	2002	10,000,000	100,000
15	13	9,198,095	14.5	80.0	RIA	—	1996	1997	2,000,000	—
26	22	5,485,000	12.1	60.0	RIA	—	1984	1990	3,000,000	—
10	8	44,100,000	18.4	73.0	RIA	<50	2002	2002	1,000,000	10,000
22	20	15,681,818	22.5	100.0	RIA	100	1986	1996	—	—
87	87	6,563,218	7.3	38.0	SCT	—	1975	1975	—	12,500
70	70	4,057,143	65.1	25.0	RIA	—	1991	1994	5,000,000	50,000
154	148	6.493,506	–3.9	75.0	SCT	≥50	1967	1979	3,000,000	25,000
12	12	195,833,333	23.2	50.0	CPA	—	1984	1994	—	10,000
300	300	19,666,667	28.3	100.0	RIA	—	1986	1986	10,000,000	100,000
25	21	120,000,000	–3.1	40.0	RIA	—	1994	1999	10,000,000	—
12	12	208,333,333	0.0	85.0	CPA	—	1969	1976	—	45,000
17	13	4,705,882	–5.9	60.0	other**	—	1969	1975	—	—
52	48	32,692,308	4.6	50.0	LF, RIA, other***	—	1875	1920	—	—
524	578	4,007,634	28.7	30.0	RIA, SCT	—	1981	1984	2,000,000	17,500
250	240	8,000,000	9.7	80.0	SCT	≥50	1923	1987	5,000,000	—
9	7	22,222,222	–22.2	100.0	RIA	—	2000	2000	—	—
27	21	49,962,963	13.2	95.0	RIA	—	2002	2002	10,000,000	25,000
26	24	19,230,769	31.9	54.0	RIA	—	1974	1974	—	35,000
115	100	69,565,217	–7.2	80.0	RIA	≥50	1882	1980	20,000,000	—
7	7	39,857,143	7.3	52.0	RIA	—	1999	1999	5,000,000	—

Friends of the Family

FIRM NAME	LOCATION	TOTAL ASSETS UNDER ADVISEMENT 2003 ($MM)	% CHANGE FROM 2002	MULTIGENERATIONAL FAMILY ASSETS 2003 ($MM)	% CHANGE FROM 2002
Sage Partnership	Edina, MN	585.0	60.3	585.0	60.3
Schofield Financial Counseling	Cheswick, PA	195.1	17.0	156.0	15.6
Sentinel Trust	Houston, TX	901.1	23.5	901.1	23.5
Signature Financial Management	Norfolk, VA	1,226.5	12.1	1,116.0	9.1
Silvercrest Asset Management Group	New York, NY	3,060.0	93.7	2,800.0	100.0
St. Louis Trust	St. Louis, MO	1,000.0	33.3	1,000.0	33.3
Sterling, a National City Co.	Pepper Pike, OH	985.0	10.7	403.0	17.5
Sumnicht & Associates	Appleton, WI	376.0	37.7	271.0	10.2
Synovus Family Asset Management	Columbus, GA	3,500.0	9.4	3,500.0	9.4
TAG Associates	New York, NY	3,593.0	19.6	3,493.0	17.2
Tanager Financial Services	Waltham, MA	2,164.7	33.2	1,701.2	29.6
TBK Investments	Miami, FL	121.8	71.5	121.8	71.5
Threshold Group	Gig Harbor, WA	458.0	12.8	458.0	12.8
Tolleson Wealth Management	Dallas, TX	800.0	77.8	140.0	250.0
Truepoint Capital	Cincinnati, OH	378.5	9.7	265.0	9.7
Universal Advisory Services	Albuquerque, NM	647.0	16.2	258.8	34.7
Vogel Consulting	Brookfield, WI	2,400.0	14.3	2,100.0	16.7
Waypoint Advisors	Norfolk, VA	377.0	69.1	343.0	63.3
Wealth Management Consultants	Denver, CO	271.0	27.8	271.0	27.8
WealthTouch	Denver, CO	500.0	17.6	500.0	17.6
Wetherby Asset Management	San Francisco, CA	1,000.0	42.9	550.0	42.9
Yolles-Samrah Wealth Management	Bloomfield Hills, MI	160.0	23.1	45.0	50.0

RIA = registered investment adviser; NCT = nationally chartered trust company; SCT = state-chartered trust company. **Closely held business.

Services that are highly specialized, such as alternative investments (60.9 percent outsource it), or are particularly labor-intensive, such as bill paying, are especially good candidates for outsourcing. Indeed, bill paying, a traditional staple among single family-office services, increasingly is farmed out. Of the firms in the study, 67.2 percent offer it in-house while 20.3 percent use an outside vendor. McDonald at Rockefeller says his firm discourages its smaller clients—which at Rockefeller include those with up to $50 million—from asking for bill paying. He says that for most families a bookkeeper can do the job in a cost-effective manner. "We avoid bill paying," says McDonald. Likewise with Ashbridge Investment Management in Philadelphia, says director Charles Grace III. "Most clients come with an accountant and an attorney," he says. "But if they want bill paying, it's outsourced."

Getting the service menu right, and making it profitable, is a major challenge for multifamily offices. When asked how they get paid, the MFOs reported that a median of 70 percent of their revenue comes from asset-based fees (not including trust-related fees). The next biggest piece, a median 25 percent, comes from annual retainer fees. A median 13 percent of revenue comes from trust administration and 5 percent from hourly fees for individual services; another 5 percent of revenue comes from net-worth-based fees.

What other big issues do the multifamily offices face? We asked each firm on our data questionnaire to list its top three challenges on an unprompted basis. The top one by a wide margin (see "Onward and Upward" on page 78) had to do with recruiting, developing, and retaining professional staff. Or, as one respondent put it: "Growing our people. Ensuring the next generation of leaders is ready as our organization quickly grows."

A related but more broadly stated concern—managing growth of the firm—was cited next most often. Many respondents expressed a fear that rapid growth posed a danger to service quality, something they are guarding against. One firm defined the problem as "growing our

MULTIGENERATIONAL FAMILY RELATIONSHIPS		AVG. MULTIGENERATIONAL		% OF REVENUE FROM FAMILIES	REGULATORY STRUCTURE	% OWNED BY FAMILIES	YEAR STARTED	MFO SERVICES OFFERED	MINIMUM AUM ($)	MINIMUM FEES ($)
2003	2002	FAMILY ASSETS 2003 ($)	% CHANGE FROM 2002							
77	64	7,597,403	33.2	50.0	RIA	—	1981	1999	—	20,000
8	8	19,500,000	15.6	80.0	RIA	—	1987	1988	—	10,000
14	12	64,365,286	5.9	95.0	SCT	≥50	1997	1997	—	125,000
13	11	85,843,469	–7.7	60.0	RIA	—	1994	1994	1,000,000	—
100	80	28,000,000	60.0	92.0	RIA	<50	2002	2002	10,000,000	—
30	25	33,333,333	11.1	90.0	SCT	<50	2002	2002	10,000,000	50,000
100	95	4,030,000	11.6	75.0	bank	—	1980	1983	3,000,000	40,000
3	2	90,333,333	–26.6	40.0	RIA	—	1988	1995	1,000,000	—
45	40	77,777,778	–2.8	100.0	NCT, bank	<50	1888	1998	—	—
78	79	44,782,051	18.7	92.0	RIA	—	1983	1983	10,000,000	150,000
32	33	53,162,471	33.7	75.0	RIA	—	1995	1995	2,000,000	—
26	18	4,684,039	18.8	95.0	RIA	—	2000	2001	1,000,000	—
3	3	152,666,667	12.8	100.0	RIA	100	1998	2004	75,000,000	—
5	2	28,000,000	40.0	25.0	RIA, bank	≥50	1997	2000	—	—
20	18	13,250,000	–1.2	70.0	RIA	—	1990	1993	—	5,000
12	10	21,566,667	12.2	44.0	RIA	—	1985	1991	—	30,000
41	35	51,219,512	–0.4	92.0	RIA	—	1993	1993	—	—
12	9	28,583,333	22.5	70.0	RIA	—	2001	2001	1,000,000	—
50	45	5,420,000	15.0	100.0	RIA	—	1993	1993	—	14,000
18	16	27,777,778	4.6	66.0	other**	<50	1991	1991	—	25,000
30	21	18,333,333	0.0	50.0	RIA	—	1990	1997	5,000,000	22,500
9	6	5,000,000	0.0	33.0	RIA	—	1987	2000	2,000,000	15,000

firm in a manageable manner that keeps client experience the same," and another voiced its concern with "managing the growth of our business to make sure the service quality remains high."

The third-biggest challenge represents an issue not just for individual multifamily offices but for this infant industry as a whole. Many respondents cited a need to build public awareness of the multifamily business model and spell out the advantages it can offer clients. One respondent put it thus: "Educating prospective clients about how we are different from other service providers, for example, our objectivity, independence, integration of services, distinction between product and service, et cetera." Another described the challenge as "differentiating the breadth of our services. Many now use wealth management to describe what is really a limited menu of services." This widely felt need to tell the story of multifamily offices may indicate that the time is ripe for some kind of industry association or trade group representing multifamily offices to emerge.

Clearly, these firms will continue to benefit from the trends that have given them such a boost over the past five years. Their service delivery model—as objective providers of advice that place the interests of their clients first—offers great appeal to sophisticated wealthy families, particularly when stacked up against the product-driven business model of many large financial institutions. It's increasingly true that you can sell either advice or products to the wealthy, but you can't sell both, and shouldn't try. Multifamily offices generally recognize that reality, even those that manage a portion of a family's money in-house, and they will continue to gain ground as long as large institutional competitors fail to heed it.

Another important driver, consolidation among the nation's estimated 3,000 single-family offices, seems likely to accelerate, driven by rising costs and the aging of their constituent family generations. Livergood says he knows of a number of such firms currently considering merger plans. Most are simply unable to afford the management

Methodology

Bloomberg Wealth Manager's inaugural study and listing of multifamily offices was conducted in cooperation with Family Office Management, a consulting firm in Oak Brook, Ill. After reviewing information from our own database and that of Family Office Management, we sent questionnaires to firms deemed likely to be multifamily offices.

In order to be included in the accompanying listing, it was required that firms offer an extensive menu of family-office services. Further, we set a minimum average size of $4 million for multigenerational client relationships, and a minimum share of 25 percent of firm revenue coming from multigenerational client relationships.

Your feedback about the study and listing is most welcome, and we ask for any suggestions you may have about expanding the scope of the study next year or about refining our methodology. Please feel free to e-mail us at wealthmgr@bloomberg.net. —*KB*

talent needed to run their businesses effectively. Says Perry of Asset Management Advisors: "Single-family offices don't have the resources to offer the career path to people who can really knock the cover off the ball."

> It's increasingly true that you can sell either advice or products to the wealthy, but you can't sell both, and shouldn't try

In addition to the calls he gets from senior single-family office professionals, Livergood says he also gets calls (albeit less frequently) from the heads of wealthy families who are interested in learning about MFOs. "I recently had one call from a family that had $300 million. They wanted advice, and they were determined not to set up a single-family office but were interested in using an MFO," he recounts. Livergood says it struck him that he wouldn't have gotten the call five years ago. The family would have either determined it had to set up a family office to get the attention it wanted or turned the money over to a large institution to manage and hoped it would be well served. The MFO option presented a third, and from the family's viewpoint, more desirable alternative.

Yet multifamily offices find themselves facing cost pressures. Grace of Ashbridge Investment Management, for one, sees difficulties ahead. "There will be a shakeout in the industry," he predicts. Some of the potential buyers and sellers aren't hard to identify, Livergood says. Among the likely buyers are big institutions with a closed architecture that can use the MFO to open up their offerings. Likely sellers, he says, include the firms being demolished by the overhead. Desperate for more clients, they'll seek out the distribution a larger institution or, at very least, a larger MFO offers. "It costs a lot of money to start up, and some of the multifamily offices really start out with just one or two clients and only the hope of spreading those costs to a larger number of clients," says Grace.

To succeed, multifamily offices must achieve sufficient scale to afford to attract talented managers and support a full-service menu. Many will find that challenge to be insurmountable on their own. "It's what I call the 'jaws of death' model," says Perry. "You can't grow your business fast enough to provide the capabilities that are demanded of you."

"One of the reasons we think that companies need to get a lot bigger is that if they're going to truly offer all the things they need to on a sustainable basis, they'll need more size and scope than they used to," says Perry. "And they have to do this because the bar is going up."

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