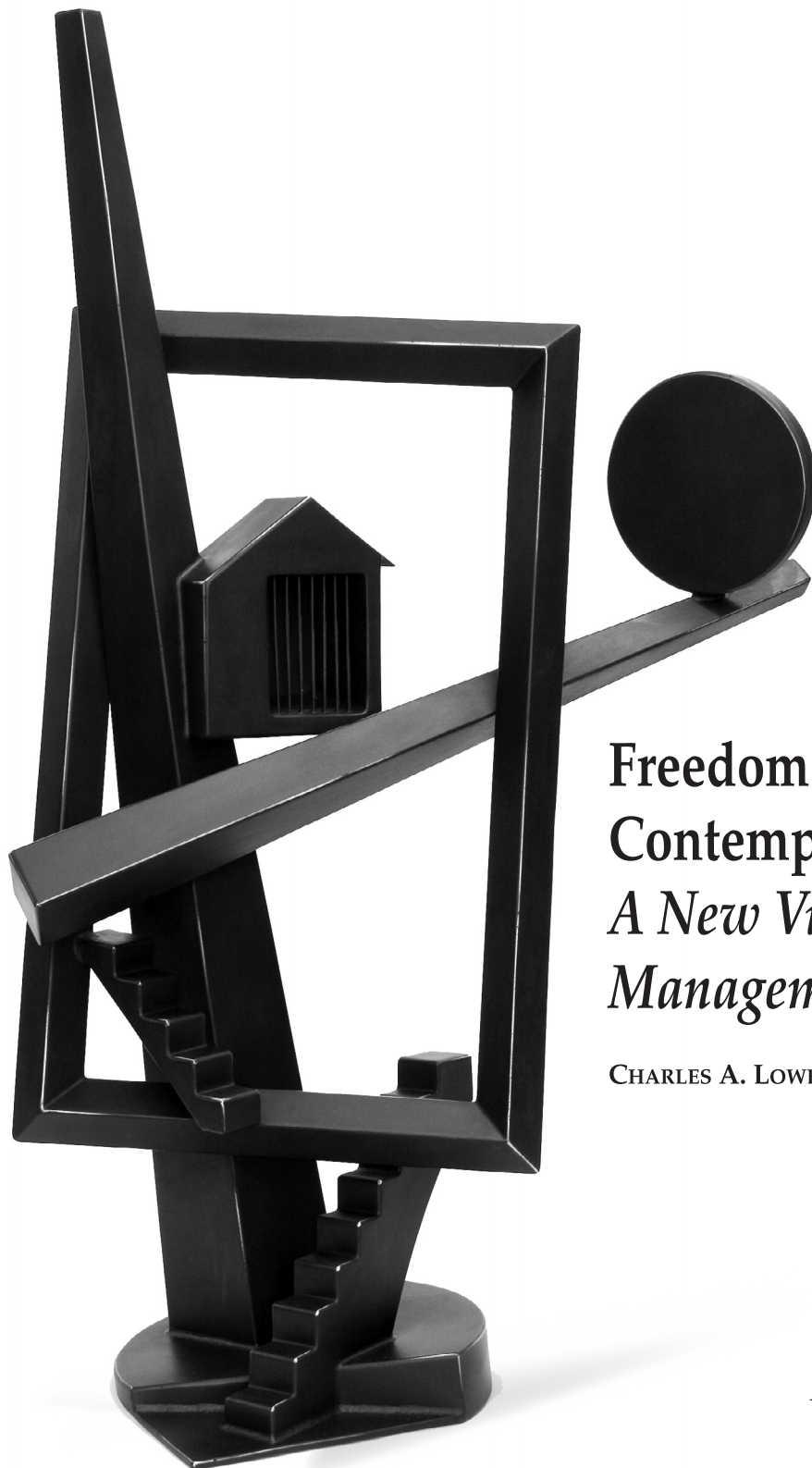


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LOWENHAUPT
GLOBAL ADVISORS



Freedom from Wealth and the Contemporary Global Family: *A New Vision for Family Wealth Management*

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Over the next 10 years, family wealth management for the world's wealthiest families will break with the convention and tradition of the past 10 years. The solutions we see today—the bank, the single-family office, and the multi-family office, which themselves have evolved out of the trust companies, the brokerage houses and the investment counseling firms—will face unprecedented challenges as they try to provide service and product to the wealthiest families. We face a shift in what wealthy families want and perceive they need. This shift results from two fundamental and inevitable forces: The rise of the global family and the growing recognition by wealth holders that substantial wealth should be a servant and not the master, that freedom from the burdens of wealth is an integral objective of wealth management.

The current infrastructure for managing family wealth is not capable of managing these twin engines of change. Those committed to the professional and personal rewards of managing substantial family wealth across generations will need to recalibrate their perspective and adopt a new model. This new model will require global breadth and multicultural and multi-jurisdictional depth. It will require an overlay of wisdom and experience, sharing resources on a customized basis individual by individual. It will require an understanding that family wealth management includes the harmonization of wealth and life to accomplish the purposes of the wealth holder. Providers

of family wealth management must ultimately offer advice reflecting the unique character and needs of each individual.

The template-driven family office, the multi-family office providing investment advice or funds of funds, and the bank fitting its customers' needs into its product offerings simply will not have the capacity fully to serve members of families viewing the entire globe as their home. The traditional models may work well enough as the only options for families of \$10 million, \$25 million, or maybe \$50 million (whether in U.S. currency or non-U.S. equivalents). But for many families of \$100 million or \$1 billion, the traditional models will not suffice. Families of substantial wealth will not be willing to sacrifice their needs to industry practices.

This article will examine the modern family of substantial wealth in terms of its inherent needs and expectations.¹ We will examine why existing models are not likely to meet those needs and expectations. And we will try to outline a paradigm for family wealth management addressing the needs of global families and families that want individuality and freedom from the burdens of wealth management.

THE CONTEMPORARY WEALTHY FAMILY

To understand the modern wealthy family, it is essential to appreciate the perspective of

those who have created or inherited substantial wealth over the past 20 years. Those years saw economic opportunities, ease of communication over distances, and ease of global travel unlike any ever seen before. They saw education and economic freedom for the children of people who had never dreamed of such possibilities. These children are in San Francisco, Beijing, Mumbai, Sydney, and London. Their lives are led worldwide through travel, telecommunications, economic webs, television, internet, and associations. They have been exposed to American culture, Asian arts, Bollywood movies, and European fashion. They can ski in Switzerland, sun in the Caribbean, shop in London, trek in Bhutan, and fish in the Rockies. Cash is available on every corner and credit is available in every shop. Geography and distance are not impediments.²

The experience of this generation of wealth creators and wealth holders has made them global in every respect—in education, residency, investment strategy, philanthropy, leisure, and overall perspective. It has also given each the desire to pursue his or her own passions and to live life on his or her own terms and with independence. Their families become families without borders or geographic limitations, and they are made up of individuals wanting to live life on their own terms and unwilling to be mechanically trapped by family legacy. They are truly global families and their family members are demanding the ultimate benefit of wealth: freedom.

The Global Family

The global nature of today's family would have been unimaginable 50 or 100 years ago. Consider the limitations of distance on a British bureaucrat posted in Bombay in 1900 or the impediments to communication for a U.S. serviceman stationed in Italy during World War II. Communication could not be instantaneous; the food and goods providing comfort at home were unavailable; return for births, funerals, or even weddings was difficult and often impossible. The British son moving to Sydney in 1900 might expect never again to see his mother.

By contrast, consider the following typical wealthy Hong Kong family today. The citizenship of individual family members may be China, the U.S., or Canada, and one family may have members of different citizenships all living on Hong Kong Island (and possibly within the same residence). Passports may be Mauritius. Education is likely to be U.S. or U.K. The family business is as likely to be

in China, Dubai, Brisbane, or Nigeria as in Hong Kong. Portfolio investments are truly global with only a small portion traded on the Hong Kong exchange. Family members may be Buddhist, Christian, Muslim, Hindu, or Jewish. Philanthropy may be directed to China, Nepal, or Africa. Travel must by definition be outside of Hong Kong. Collections may be Chinese art, British porcelain, American firearms, or world maps. In fact, no member of a wealthy Hong Kong family can say he or she is "simply a Hong Kong person."

Hong Kong families were among the earliest "global families," as were families of communities in Diaspora, but the same phenomenon is taking place all over the world. Consider today's wealthy American family, with roots in the U.S., whether New York or Tulsa. The children study abroad, marry abroad, and may live permanently abroad. Travel is worldwide and investments are global. Residences may be in London, Panama, or Mexico. Religions may be as diverse as those of a Hong Kong family. Philanthropic initiatives and art collections may be global. Can a member of a wealthy U.S. family afford to be isolationist in perspective, to make the U.S. his or her only focus?

The new globalism of families of substantial wealth mirrors the evolution of the world economy. In 1950, General Electric was seen as a U.S. company and Sony as a Japanese company. Today, both are unmistakably global, with operations and employees in countries around the world. In 1950, the Rockefeller family may have been seen as a U.S. family, and the Rothschild family may have been seen as European. Today, the Rockefeller family office is owned partially by a French bank and the Rothschild family is ambitiously building services in Asia and the Americas. Can either family be seen as geographically isolated today?

Because the modern family lives, works, invests, and plays in multiple jurisdictions, families need wealth management and support programs that are themselves global. For providers of family office management, seamless service delivery across jurisdictions must be the new reality. Family wealth professionals must have the sophistication and discipline to manage in different jurisdictions and across jurisdictions for investments, governance structures, taxes, operations, and lifestyle. The wealth adviser must help a family evaluate whether it is preserving wealth when one currency may not be capable of measuring preservation across the family's geography. Investment programs must be designed around different cultural

mandates: How does one invest ethically when the family is partly Chinese and partly Moslem? How do the limitations on investment and inheritance imposed by Sharia law apply when a Chinese husband considers his wealth relative to a Muslim wife?

Quite importantly, multiple jurisdictions mean multiculturalism, and multiculturalism means that traditional views of family values or family legacy are unlikely to work the way they once did in guiding a family's wealth management program. How many Chinese families today have a Muslim who has married into it? How does one define family values when the Jewish second generation marries an Arab? What is the family legacy for the children of a black descendant of slaves married to a white descendant of slave owners? How does one develop family governance when a descendant of a Brahmin marries the descendant of a Shudra? The world is full of such multicultural, multi-religious, multi-background marriages where traditional notions of the Western Family (whether Rothschild or Rockefeller) cannot work.

Freedom from Wealth: The Modern Understanding of Living Well

Equally as dramatic as the evolution of global wealth has been the modern expectation that wealth should have purpose and that purpose should facilitate education, personal achievement, and the realization of one's dreams. Wealth inheritors talk about their passions. For some, it's running a family business. For some, it's founding a school. For others, it's political engagement. In a world bursting with options and needs, individuals talk about living life to its fullest, raising healthy children, and satisfying their own goals. Wealth is seen as creating liberty and enabling life to bloom in all of its colors.

Yet, wealth management doctrine over the past 20 years has focused on developing structures, plans, and governance to allow families to beat the shirtsleeves-to-shirtsleeves syndrome. Estate planning conversations start with saving taxes rather than how individuals can achieve their dreams. Investment policy statements talk about preservation as the ultimate goal. Wealth management professionals speak of wealth inheritors as "stewards" and family relationships as under governance structures. We design next generation education into classes for small groups of young wealth holders isolated from their less fortunate peers. We consider that every wealth holder, whether inheritor or creator, should have

a working knowledge and a regular involvement in the management of the family wealth.

Where is the "freedom" in that thinking? The son of an entrepreneur is told to "take over" and preserve the wealth; his father was like the collector and he is like the curator of the collection of family wealth. The family office places the poet family member on a committee to study whether and how to enter hedge funds. A young man in Europe says his passion is the active family business, but he must sit on the board of the family office. "That is not my passion," he told me. "I don't like to look at financial statements and consider details of leasing real estate, paying pensions to retainers, and analyzing the economics of the private jet."

Over the past decades, parents have raised children to believe they can be what they want. China sees its first generation of wealth creators. India sees its first generation of wealth consumers. Children from Beijing and Calcutta are being educated with children from Scarsdale and London. A child from Hanoi goes to college in Sydney. The child of a South African refugee may marry the grandchild of a Bolshevik bureaucrat. The human value all of them share is the vision of liberty and freedom. Chinese, Indians, Australians, and Europeans all place in that vision unlimited opportunities.

Freedom from wealth cannot be gained if one is the family wealth steward, the silent butler passing the wealth from generation to generation. Freedom from wealth cannot be gained if one must spend hours and years analyzing investment performance and trying to find transparency in one's service providers.³ One is not free of the burdens of wealth if he or she is seen as just a cog in the family wheel, the "A3" of the 3934A account number in an institutional wealth service provider. There is no freedom without independence.

One of the causes of the problem is the construct of present day wealth management theory. The overarching philosophy enshrines the sanctity of the family, the ideal of the family functioning together as a family in investments, values, philanthropy, and even family retreats. The family is seen as a monolithic entity of higher value than any individual in it. This view is to family what Communism or Fascism is to a nation—a vision of good higher than any one individual. This is not consistent with entrepreneurialism or capitalism. This is not how we are trained to raise our children.

Just as that world view enshrines the sanctity of the family, business pragmatics dictate the bundling of family

assets. Service providers have found that they can be more efficient and more technologically facile and more profitable by keeping the family together. It is much simpler to service the institution of the family, whether it is wrapped in a family trust, partnership, or family office, than to deal with individual clients. The family can have a standard asset allocation, a standard will or trust, even a “standard” prenuptial agreement.

This bundling construct works when it is enforced by a patriarch or matriarch or the exigencies of limited wealth. It does not work when a person has adequate wealth to find freedom from its burdens. That person will do what he or she must to build freedom from the wealth. The only son of one of the wealthiest men in Malaysia enters a monastery and vows poverty to find freedom. Brothers in an Indian family follow the family tradition of unbundling at each generation. Countless heirs reject roles in family businesses.

We see professionals in psychology, organizational structures, social services, and religion (even gurus) working for families to help each family member achieve freedom as each defines it. We find some “trusted advisers” working for individuals making up the family rather than for the “family” made up of individuals. But the wealth management institutions have not changed their perspective that they want to work for a family. By definition, the family office is serving a family. By nature the multi-family office divides customers among families.

Those who want and can afford freedom will demand it. The thinking that gives them the world also leads them to recognize the complexity of family wealth management. It will also motivate them to have the freedom to take advantage of all the world offers. They will find those service providers who give them that freedom from the burdens of wealth management.⁴

MODELS NOW IN THE INDUSTRY

When the modern family of substantial wealth looks for what it considers wealth advisory services, it now finds itself limited to three models visible in the industry as wealth managers. The wealthy family will see as its options 1) using a bank, 2) hiring a multi-family office, and 3) building a single-family office. Family members may have “trusted advisers” who are accountants, attorneys, spiritual counselors, and others; however, if the family has portfolio wealth at all, its members will likely want to find or build a group to “manage the wealth.”

At the outset, we recognize that definitions are far from precise when we talk about banks, multi-family offices, and single-family offices. Investment counseling companies may be banks or may be multi-family offices. Brokerage companies are interchangeable with banks for our purposes. The spectrum in each category is broad, and the categorization of each company is not simple. Nevertheless, within those three categories will lie most of the options available to a family of substantial wealth.

The global family looking to build freedom into the lives of its members will demand a new model to serve those needs. It is likely that most traditional banks and multi-family offices cannot adapt to those needs. It will be difficult if not impossible to build single-family offices adapting to those needs. Encumbered by the legacy of their own evolution and the infrastructure created to serve different customers in different times, the existing family wealth management providers will not be able to remake themselves to meet the new dynamics of what they would call the ultra-high-net-worth family.

The Bank

In 1970, trust companies were the trustee of choice for many American wealth holders and wealth creators. With few exceptions, individual professional trustees had disappeared, and in only one or two jurisdictions were law firms considered appropriate trustees. The trust company or bank had perpetuity, institutional integrity, fiduciary standards of excellence, and the conservative perspective that nurtured preservation of post-war wealth. St. Louis Union Trust Company, J.P. Morgan, and other banks and trust companies were the family offices for many of America’s wealthiest families. The private banks of Europe (such as Coutts) catered to Europe’s wealthy families and royalty.

Today, much of the wealth generated during an earlier era is entombed in banks. Have they proven “perpetual”? Through mergers, acquisitions, and other developments St. Louis Union Trust Company has become Bank of America, previously Nations Bank; J.P. Morgan has become the former Chemical Bank. The perpetuity of either is not clear. The bank is no longer synonymous with conservatism but is instead the foundation of the credit crisis. Institutional integrity is eroded by scandals, rogue traders, and derivative and trading schemes created for company profitability. Fiduciary standards of excellence are receding as the banks build product to be sold to captive customers.

Indeed, there have been wave after wave of scandals and crises in the large institutions over the past year—bad credit, rogue traders, failed auction systems, or sale of tax fraud—all of which have left customers feeling that the institutions have failed them. The apparent collapse of the financial services system overlays the failure of banks to care for their customers.

The bank—whether a trust company, a private bank, a commercial bank, or a brokerage house—is no longer viewed by the very wealthy as the optimal wealth manager. Heirs, Inc. “An Organization of Beneficiaries for Trust/Estate Reform”⁵ appears in courts and legislatures to represent beneficiaries feeling trapped in trusts with corporate trustees. At a recent roundtable of family wealth experts from around the world, a consistent theme was that private wealth holders today do not trust banks. Recognizing that certain services performed by banks—custody, checking, lending, and so forth—remain necessary, these experts all noted that banks are seen as placing their own profits ahead of the well-being of their clients. In fact, most of these experts see banks as commoditizing even the most personal services, as reckless in their own risk management, and as without focus on the needs of their clients.

It is reasonable to assume that the stature of banks in the culture of private wealth holders is now lower than it has ever been before and that banks will proceed to work to regain some of the trust of their customers. And, it is clear that banks can build investment products of value because banks can and do hire bright employees. Some banks (and investment banks) will be seen as factories of product and others as supermarkets of product. But rebuilding trust will take a long time.

For the modern wealthy family, the products and services of a global bank will be appealing, and family members are likely to be customers for those products. The global commodity services offered by an HSBC or one of its peers cannot be equaled. But as they have been built over the past 30 years, banks are not meeting the needs of the modern family of substantial wealth. Even global banks are not yet multicultural or globally integrated in terms of communications, attitudes, and accessibility. They are not focused on the individual member of the family, and they cannot customize family by family and family member by family member. Their business and compensation models encourage product sales. A bank’s fees are not transparent. And, it is hard to see how a bank offers the conflict-free, loyal, and seasoned wisdom craved by so many wealth holders.

The Multi-Family Office

It does not seem coincidental that during a period in which banks have fallen out of favor with very wealthy families, multi-family offices have risen. At least one study has begun to try to quantify the loss of business by banks to multi-family offices, but even without data those in the industry note the dramatic increase in multi-family offices over the past 10 years.

The definition of a multi-family office is not entirely clear. Many were once called investment counseling companies, and many fine investment counselors are now working in multi-family offices. The U.S. Registered Investment Advisor who is not a multi-family office is less likely to be working for the ultra-high-net-worth family. Shrewd banks are increasingly trying to cloak their product sales in multi-family office structures. Consider Société Générale, Sun Trust, and Standard Chartered. Banks such as Pitcairn and Bessemer suggest that they are in fact multi-family offices.

Single-family offices have realized that as one generation passes and another rises with more members than the previous generation, the office has more and more clients with smaller and smaller portfolios. The competence to manage those portfolios together with the professionalization of administration and process increase the office’s focus on its investment role. The office concludes that it can build bulk, efficiency, and revenue for owners and staff by attracting other investment clients using the halo of the family name, whether Rockefeller, Rothschild, Fleming, Miller, Johnson, Pitcairn, or Myer. Taking in outside families, the family office becomes multi-family.

Though no definition has been accepted by the industry, most multi-family offices are built on investment advisory services. A Stein Roe can become part of an Atlantic Trust because essentially their services are similar and based on investment expertise. Economics have motivated many multi-family offices to leverage their investment expertise by turning it into products. Funds of funds provide diversification, access to difficult-to-access managers, sophisticated reporting for clients, and increased fees for the multi-family office. Multi-family office investment in areas such as tax planning, governance structuring, strategic philanthropy, education, and advice other than money management is generally small compared to the development of investment sophistication. Fees are most often based on assets under management.

For the modern family with substantial wealth, the multi-family office is not particularly appealing. Families of lesser wealth, not sufficient to build a single-family office, may have no option as appealing as a multi-family office. But unless the multi-family office starts with their own family, family members are not likely to feel comfortable hitching a ride on and fueling the journey of another family's vehicle. The family we are looking at can create its own single-family office. The global family should be a *multi-office family* rather than a customer of a *multi-family office*.

The multi-family office model, usually based on investment advisory efficiency, represents a sharing of overhead to maximize investment and reporting expertise. The customer is expected to fit his needs and desires onto a "platform" designed for the founding family or for a "model" family. Customization and individualization are often impossible. Building products, though effective and efficient, removes the capacity to give conflict-free advice. Serving as consultants or managers of managers becomes less genuine as products make their way into multi-family office inventories. Genuine multidisciplinary wisdom is difficult to evaluate and pay for based on assets under management.

Indeed, the modern family might see many multi-family offices as banking wolves dressed in sheep's clothing. Just as the multi-family office has assumed the customer base of the banks, it may have taken on those very characteristics of a bank that the family of substantial wealth finds uncomfortable.

The Single-Family Office

For numerous reasons, the single-family office may be ill-prepared to manage substantial wealth for today's modern global families. Today, many families can afford to build their own family offices without sharing efficiencies and costs through the multi-family offering. Many have built their own offices over the past 30 years. Although there is no accepted model and every single-family office is different from another, industries and advisers have grown globally around the concept. The family office is expected to perform those wealth management services the family perceives it needs. Put a group of families or family office executives together and all will know what a family office is; yet each will have a different vision of what it does. Some family offices are primarily for bookkeeping and accounting; others are for

investment services; others are to monitor trust administration; others are office space, physical refuge for family members.

More than one expert in the single-family office has said that the concept has failed for most families over time. Family office administration has not been professionalized, and finding a chief is never easy. Frequently, a patriarch's "trusted adviser" or the company's old accountant is given the task of building the family office. He or she may have skills as accountant or lawyer but none in other areas of administration. Frequently, an investment expert is hired with the promise of participating in investment success and then incentivized in ways not necessarily appropriate for the family. Often one to be hired as a family office executive is told that the job is about running the office—"about business"—and leaves when he or she learns it is about navigating family dynamics. While every business school teaches that the highest priority of any leader is to groom his or her own successor, succession of professional family office administrators is rarely addressed by the family office. Three 60-year-olds in Geneva explained to me that together they had 90 years experience in running a large family office, yet not one of them could imagine how to build succession to themselves.

The legal, investment, and accounting industries are no longer designed to produce the "trusted adviser" who can populate the family office. The multi-disciplinary expertise required of the family office is nowhere taught, trained, or easily made available. The expertise of the head of the family office automatically becomes the highest value in the family office and that expertise is frequently built into the "service offering." Some family foundations actually become the family office, and many families build their family offices in the shell of a private trust company. The focus of the family office then narrows.

Investment return is easily evaluated, so that measuring success of the family office on the basis of its investment return provides the family an easy way to run the office. Management is simplified by reporting systems and technologies, particularly when performance can be measured on the basis of return without the constraints of evaluating appropriateness and risk. Compensation can be easily tied to performance, management comparables can be found in the investment advisory industry, and investment management can become the core function of the family office. Once that function becomes core, the

family office can become its own business with outside customers providing even greater revenue, stability, and job satisfaction to management.

The complete single-family office requires almost incomprehensible complexity. How does the single-family office develop the team working together with total discretion and confidentiality on investments, cash management, taxation, lifestyle needs, philanthropy, and other aspects of the family's wealth management across time zones, cultures, and generations? Even with the kinds of resources and networks being built by Institute for Private Investors, Family Office Exchange, Campden, and many others, administration of a family's financial affairs can be difficult to make business-like and to accomplish the family's purposes.

Single-family offices may start as the customized design of services to meet the unique needs of the family (usually the senior living member or members of a family). Passage of time and generations will likely make the customized office a dinosaur unless the office and family together work hard to individualize service offerings. At the request of the "kids" generation, then in their 60s, we recently closed a family office run by a family office executive then in his 90s. Although the office worked perfectly for the last generation, the present generation found no value in the services administered by the superannuated family office executive. The larger and more complex the office, the more stratified and institutionalized are its offerings and attitudes, and the less likely they are to satisfy the needs of subsequent generations.

The single-family office will not meet the needs of the modern global family—whose members are interested primarily in leading their own lives and fulfilling their own passions. Global communication and cross-cultural sensitivity are not easily built by those willing to work for a single family. Even the most sensitive trusted adviser or family office executive will have trouble building the staff with the resources necessary to handle the complexity and sensitivity involved in globalism and multiculturalism.

Importantly, the single-family office with the best professional management (which is exceptionally hard to find) will require some family wealth stewards to serve on the "board" of the family office. Management must be found, nurtured, and engaged just as in any business. Yet, if a family member is good at and passionate about business, there can be little interest in "stewardship." The motivation and entrepreneurialism to build a business

cannot be applied to preserving capital and designing structures simply to "preserve" wealth so as to avoid returning to "shirtsleeves" over three generations. One of three middle-aged children of a Chinese wealth creator explains it this way. "My brother, sister, and I are creating huge wealth, and once it is created we throw it over our shoulders and hope someone else can catch and manage it for preservation. We are not interested in catching for preservation, and we have no time to try to design a family office for that purpose." One of two Indian brothers who with their parents are creating great wealth said: "We need a family office to manage our wealth. But we have no time whatsoever to build it or worry about its operation."

Wisdom is hard to capture and build in a single-family office, especially as different generations need different perspectives. The employees in the single-family office are constrained by geography, personal experience, and confidentiality from sharing experiences of other individuals and families. Even with networks of family office executives, there are limitations on what can be said outside the confines of the family. Family office executives worldwide complain that they have no "colleagues" with whom they can share their more difficult and intimate experiences with family members. Utilization of consultants (whether as contractors or board members) can add wisdom, but coordination of their advice and design of reporting relationships make their use less effective than might be hoped.

Even the family office built as customized for the needs of its founders loses focus on individuals as family members multiply. If only to maintain the bulk of value in assets that allowed the founding of the office, the office must try to institutionalize the bundling of all of the family's assets and family services. Concepts of family constitution, family values, and family legacy superimposed on the family office will make some family members uncomfortable for cultural or other reasons. Services of a single-family office can be conflict-free, though frequently the services of employees in a single-family office are not seen as conflict-free since bundling, culture, and sameness will supposedly make the office itself more effective.

THE NEW PARADIGM FOR FAMILY WEALTH MANAGEMENT

It is clear that the accepted models providing family wealth management will not serve today's modern global

families of substantial wealth. Service providers must realize that needs have changed, and that over the coming years, a new paradigm for family wealth management must be developed for the modern family of substantial wealth. The new model will serve families who can afford single-family offices, families whose members, investments, and practices are global, and families whose members demand the freedom to live their lives as they want.

What is this paradigm? The full answer has yet to be written, but it may look like a conglomerate of family offices providing many families their own family offices. The family offices share resources, leadership, and wisdom. They share knowledge and encourage networking. They share technology and access to investments.

The paradigm will draw on the best qualities of the single-family office. It will be conflict-free and transparent and will design itself to be aligned with its clients. It will consider confidentiality among its highest priorities. It will customize based on family needs and history, and it will maintain legacy and values and culture.

Yet, the new paradigm can provide much that many single-family offices cannot or have not provided. The paradigm houses many disciplines and many experiences. It looks to involving many trusted advisers, those specifically tied to particular families and individuals and those without portfolio. It values skills in process, organization, and systems that can help it serve families and help family members function together with minimal friction.

It will have superior expertise in investment theory and process. It will have access to the finest investment advisers, reporting platforms and technology, and tax and legal expertise. It will be capable of designing and implementing plans of governance, estate planning, and strategic philanthropy. It will develop advisory capability relating to social services and education. These services may be internal and may be outsourced, but none will be treated as a product or revenue base.

The new paradigm will be global in perspective. It is designed to operate seamlessly throughout and across jurisdictions with knowledge or access to knowledge relevant to cross-jurisdictional life and life in any one jurisdiction. It will have offices, resources, and client families based in many countries and jurisdictions. Its clients will live, travel, and study throughout the world. Clients will have the opportunity to network on investments, philanthropy, and best practices, and the multi-family provider will have advisers in many countries around the world.

The new paradigm will allow families to share and develop resources. The lawyer in New Delhi or Zurich or New York particularly knowledgeable about private wealth can be used to educate other lawyers inside and outside those countries. Providers will be encouraged to work together to encourage focus on structures, investments, and tax planning that particularly suits the needs of global families. Global concepts of fiduciary responsibility can be implemented and promulgated through the auspices of the new paradigm. Sophisticated techniques will be developed to deal with regulatory vagaries and privacy concerns.

There will be an emphasis on professionalizing family wealth advisory service. The tools and capabilities of the trusted adviser will be an area of study. Emphasis will be placed on the importance of sensitivity to multicultural families. There will be recognition of the need to develop a holistic approach to ensuring that wealth is meeting its purposes.

The new paradigm will place particular value on wisdom. Utilizing global participants and advisers with many years of experience, wisdom will be developed as communication systems allow advisers working for families to tap into “grey heads” around an actual or virtual table. Experiences and lessons from families of multi-generational wealth, from Diaspora families, from refugee families, from families in established economies and emerging economies, from families of every religion and every culture will be shared to allow solutions that may work for other families.

Infusing every element of this new paradigm will be its ethos of self-actualization—that every person has a need to become all that he or she is capable of becoming.⁶ This ethos requires a focus on the individual, on the individual needs of each member of a family. It assumes that a client is first and foremost an individual and only incidentally a member of a family. The paradigm has as its goal to harmonize wealth and the self-actualized life. Its overriding mission will be to offer every client the opportunity to achieve freedom from wealth.

CONCLUSION

Serving contemporary wealthy families responsibly presents significant challenges to professionals. Business models built on our investment in infrastructure over the past 10 years may not work over the next 10 years. The accepted wisdom we have built into our businesses and

products is not likely to be appropriate for the next generation of clients. It will be tempting to jury-rig the old jalopy, to build modern facades on old infrastructure. Instead, we must commit ourselves as an industry to building a philosophy that fully recognizes the needs of the contemporary global family and to appreciating the paramount importance of individual freedom—indeed, freedom from wealth. We must build global capacity to service our clients with transparency and loyalty. We must encourage harmony and respect individual differences even in situations where family members may not share culture. We must effectively create what has not existed before.

As an industry, we must proceed carefully and thoughtfully. Words like “transparent,” “loyal,” “honest,” and “conflict-free” are simple words or phrases; a person knows when he or she feels free; passions drag and push inexorably. One should not use the words unless they are meant. One cannot convince a person to feel free without giving freedom. Frustrating passions causes pain and prevents self-actualization. The wealth adviser must be cognizant of the role the wealth holder needs played. We must respect the families and the needs of their members. The individuals are not without the capacity to understand and evaluate what we say. They have lives, and we are involved in those lives, and we have some responsibility for each.

Together those of us serving individuals in wealthy families should work to create for them the model that gives each what he or she needs or wants to live life fully in a complex world. We should consider the paradigm proposed and others to meet their needs with wisdom, loyalty, care, and sensitivity.

ENDNOTES

¹The author would like to express particular thanks to his friend J.A. Michael Hutchinson, who shared generously his understanding of the relationship of family and wealth based on his experience with many families and who has wisdom about family wealth beyond that of any other person in the field.

²To get a sense of the sense of liberation offered by unfettered travel, consider Paul Fussell’s volume *Abroad: British Literary Travelling between the Wars* (Oxford University Press, 1980).

³A recent study by the Institute for Private Investors shows that family members are spending more and more time “working” on their wealth—managing managers, evaluating performance, and the like.

⁴For further explanation of the author’s view of freedom from wealth see the article: Charles A. Lowenhaupt, “Freedom from Wealth,” *The Journal of Wealth Management*, Spring 2008, pp. 17–23.

⁵See www.heirs.net. The organization was founded by Standish Smith some years ago and has been quite effective in directing public attention to the burdens many beneficiaries feel are imposed by bank trusteeship.

⁶Abraham Maslow sets out certain fundamental human needs relating to physiology, safety, love, and esteem. “Even if all these [fundamental] needs are satisfied, we may still often (if not always) expect that a new discontent and restlessness will soon develop, unless the individual is doing what he is fitted for. A musician must make music, an artist must paint, a poet must write, if he is to be ultimately happy. What a man *can* be, he *must* be. This need we may call self-actualization.” From “A Theory of Human Motivation,” A.H. Maslow, *Psychological Review*, 50 (1943), pp. 370–396.

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