Multi-Family Office; a human touch with responsiveness and cohesiveness (part 2)

In a previous article *(Multi-Family Office: a new paradigm of Trust for investors (Part 2))*, we discussed how MFOs have emerged as genuine providers of trust for clients by building credibility and demonstrating professionalism. Indeed, for many wealthy families having confidence in a financial professional is the essential element of trustful relationship to achieve the best outcome. But concretely, what are the key benefits of working with MFOs that is appealing for wealthy individuals?

According to John Bowen, founder of CEG Advantage, about three-quarters of the participants in a survey of 206 ultra-wealthy individuals said they prefer to work with multifamily offices. Another 15% like wealth management firms. Less than 10% chose investment advisors. The remaining few opt for planning firms. Clearly, individuals with money are strongly attracted to multifamily offices.

What’s essential for wealthy families is to get the results they expect. A distinguishing characteristic of well-run multifamily offices, which come in many varieties, is that they are exceedingly service-oriented; they not only quickly address issues but also anticipate them and have solutions at hand.

Almost all the ultra-wealthy who prefer multifamily offices cite their responsiveness and holistic approaches as critical reasons for their attraction to the model. About four out of five are looking for state-of-the-art solutions and see multifamily offices as the best providers of exceptional services and products.

Like many wealthy families, making the most of your situation and supporting a strong legacy require significant focus and resources. And supplying the families
with good stock picks and a wily investment or tax strategy isn’t enough anymore. These days, it’s about applying the human touch or human element. In our previous article, we discussed that the human element is the most important business resource of a MFO. Every part of a MFO boils down to people.

Wealthy individuals expect a broad range of services in one place, and they expect them to be executed in a single, cohesive strategy. Having to manage investments, taxes and assets require more than an app on a phone. Most of the time, it requires more than one type of highly trained professional advisor. Because managing wealth is no simple task. And for most wealthy clients, having someone or a group of experts to personally walk them through complicated tax laws or investment strategies goes a long way. This is the personal relationship that families can forge with a family office. Thanks to this human element, the working atmosphere is much closer. For these reasons, many families find that their relationship with their Multi-Family Office is very close, often with regular day-to-day interaction. Due to this unique connection, MFOs can play a role that goes far beyond portfolio management.

Since family offices only focus on a few clients, the advisors also have more time to focus on the family’s needs. On the contrary, when dealing with banks, a single advisor might have to take care of a hundred of clients. The family office advisors have less pressure and can focus on delivering high-quality services.

Some banks are foreseeing that technology such as AI will replace human soon and allow them to deliver a faster and better experience to investors at a lower cost. In a 2017 interview with Bloomberg television Vikram Pandit, who ran Citigroup Inc. from 2007 to 2012, said that up to 30 percent of banking jobs could disappear within the next five years due to developments in technology in Artificial Intelligence.

But technology cannot replace human interaction. You will always need critical reasoning, critical thinking, judgment and decision-making. For many of investors (if not all), it is critical to interact with a real person when getting investment advice or resolving a financial question. Have you ever tried to resolve disputed credit card charges with a robot advisor? I rest my case. And without an expert on your side to audit and flag the errors on your bank account statements, it is very likely that it will remain unchecked unless a class action lawsuit appears from an unknown lawyer in the United States.

Modern banking system is a wonderful thing that works with nearly 100% accuracy. Nevertheless, it can fall short due to both technical and human errors. But every time, it is poor effective communication channel with the clients that bring frustration and damage the client relationship. If you carefully select the
Most appropriate channel, sharpen your messaging skills, and carefully consider your client needs, your communication skills will significantly improve.

Most of the time, effective responsiveness boils down to simply questions such as: “what does my client need or what do they value? And how can I deliver that to them in a way that they can understand?” You cannot answer those questions without an intimate knowledge of your clients, and this is why the human communication is paramount, and nowhere is this truer than in the world of financial advice.

Undeniably, there are few things more frustrating to investors than reaching out to a financial professional with a question or a request for information and not getting a timely response. This can become an even bigger problem in times of crisis. In 2014, the CFA Institute found that the most desirable qualities of a MFO were responsiveness.

This high level of responsiveness can only be achieved when professionals prioritize quality over quantity.

**Cohesiveness**

Responsiveness alone is not the only appealing element of working with a MFO. Investors can only get relevant information in a timely manner if the advisors offer a holistic approach to managing a client’s wealth.
Indeed, wealthy clients expect a broad range of services in one place, and they expect them to be executed in a single, cohesive strategy.

As family wealth increases, more difficulty emerges, and family support services come into greater play to scope out the complexities. Therefore, the breadth and integration of services becomes essential in all aspects of the client’s wealth and family needs. MFOs provide various quality services; tax and legal work, access to private banking and private trust services, custody and management of documents, expense management, bookkeeping services, children’s education, real estate services, family support services, and family governance.

Cohesiveness is when all the various services, investments and legal advices work together. It is the integration of all those elements that accomplish optimal wealth management. Combining these services in one place allows for increased coordination, which results in better outcomes and lower cost. And when the amount at stake is millions of dollars, a few percentage points matter.

By having those key services kept in house, MFO can provide consolidated reporting and generate a set of reports that show families their total position holistically, while maintaining strict confidentiality. This allows experts to work together in a close collaboration for better efficiency, resulting in better ideas and solutions.