

Welcome To The Family Wealth Management Business

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According to various estimates, there are currently approximately 28,000 households in Canada with investable assets in excess of \$10 Million. Although these households represent a very small portion of the total households in Canada (<1%), we believe that it's a fast growing family wealth segment that is being driven by Canadian demographics primarily from successful entrepreneurial business activities.

In our experience working with these affluent families, one of the belief challenges that they face is incorrectly viewing their hard earned wealth as a 'Savings Pool' instead of a 'Wealth Business'. In other words, their investable asset base is of a sufficiently significant size and typically complexity that it is beyond being considered a traditional savings pool earned from employment activities but should instead be viewed as a 'mini' wealth management business that is a bi-product of their successful entrepreneurial business activities.

To put this view in perspective, according to Investor Economics, as of September 2010, the average value of client assets that the typical Canadian Financial Advisor in the "Planner Channel" managed was less than \$10 Million. As a result, given that the Financial Planner's activities are considered a wealth management business, I believe that the same should hold true for affluent families.

For this reason, the **key attributes of the Family Wealth Business** – like any other business – that need to be considered are:

Purpose:

- **What is the purpose/mission of the business?**
 - For the Family Wealth Business, the purposes can vary but often are identified around themes such as financial independence and philanthropy.

Clients:

- **Who are the clients of the business?**
 - For the Family Wealth Business, what members of the family will benefit from the wealth and what individuals/organizations outside of the family will also be beneficiaries (ie: charities, etc.)?





Philosophies & Values:

- **What are the philosophical beliefs & values to which the business & its people will adhere?**
 - For the Family Wealth Business, the philosophies & values can vary – as they are a unique expression of each family – but can often include philosophical statements that address beliefs that ‘wealth must be earned & respected’ as well as values such as honesty, integrity, hard work & respect for community.

Goals:

- **What are the goals of the business?**
 - For the Family Wealth Business, the goals can vary but often have both qualitative & quantitative measurements that align against typically three broad groups of goals: Lifestyle, Family & Philanthropic/Social. The preparation of Family Wealth Financial Statements is also very common place for affluent families who view their wealth as a business.

Management Team:

- **What are the key roles & responsibilities required within the management team and who will fulfill these roles?**
 - For the Family Wealth Business, the management team – which typically includes their key professional advisors such as accountant, lawyer, investment advisor & insurance advisor – needs to address key functional advice areas such as financial structures (ie: holding companies, trusts, etc.), taxation, risk management, estate management & investment management. When operating businesses are being sold, other professionals such as business valuers & corporate finance professionals, can also become involved with a family, typically on a temporary basis. Finally, we are increasingly witnessing many affluent families who also engage other professionals, such a Family Counsellors, who assist them with the ‘softer’ family issues related to inter-generational wealth transfers and guiding family members who have challenges living to the family’s philosophical beliefs & values.



Governance:

- **Who & how will the business be governed to ensure that its living to its purpose, philosophies, values & goals?**
 - For the Family Wealth Business, this can be the ‘Family Board’ — or what we refer to at HighView Financial Group as the ‘Family Stewardship Council’ – that helps the family ‘govern’ or ‘steward’ their wealth to ensure that the Family Wealth Business is living to its purpose, philosophies & values and that the management team is jointly helping the family in diligently pursuing their goals.

Affluent families who view their wealth as a ‘savings pool’ don’t consider the above attributes and typically end-up with wealth management advice that is siloed and disconnected amongst their various professional advisors (ie: accountants, lawyers, insurance advisors, investment advisors, etc.). Additionally, their investment portfolios are many times a ‘collection of investment ideas’ instead of a series of prudently designed, purpose-driven portfolios that are aligned against specific family goals. In contrast, affluent families who view their wealth as a ‘business’ bring a set of philosophies, disciplines and purpose to their wealth that makes it sustainable in the same manner as their operating/entrepreneurial business that created the family wealth.

