



VARSITY CREW

Most multifamily offices continued their winning streak last year, adding new wealthy families. But many are working hard to manage growth and improve profit margins.



BY KIERAN BEER



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ROPELLING A MULTIFAMILY office (MFO) forward requires discipline and a broad range of skills.

Among the most important, say people in the business, are hiring—and retaining—the right professionals, staying abreast of technological change, and managing growth so that when your firm adds new clients, costs don't spiral out of control. For those who are adept at these skills, the opportunities are tremendous. At the 69 firms that qualified for BLOOMBERG WEALTH MANAGER'S second annual listing of multifamily offices, assets under management grew on average by 26.6 percent last year. The median amount under advisement at the firms was \$1.0 billion; the mean was \$2.8 billion.

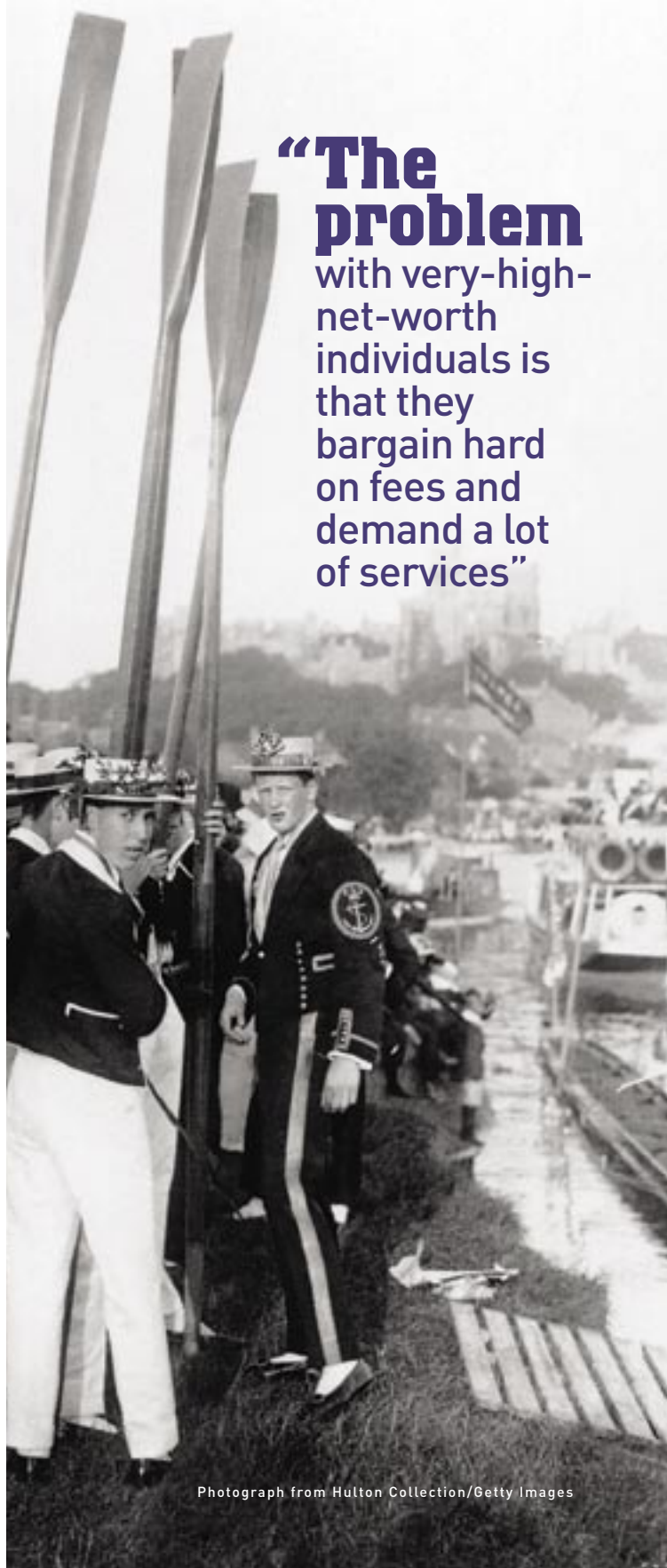
Many of the firms on the list added new—and wealthier—clients last year. Whereas the median number of multigenerational family client relationships grew 8.0 percent to 27, median assets attributable to these families increased by 26.7 percent, to a total of \$650 million—making the median multigenerational family client relationship a hefty \$23.2 million.

At a few firms, the growth in assets was in triple digits. At TBK Investments in Miami, for instance, assets grew 188.4 percent year over year to more than \$351 million. At the Sage Partnership in Edina, Minn., assets increased almost 110 percent.

Santiago Ulloa, chief executive officer at TBK and former head of private banking for Latin America at Banco Bilbao Vizcaya Argentaria, attributes his firm's success primarily to the superiority of the multifamily-office business model, which in TBK's case involves offering an extensive number of financial and concierge services to well-heeled clients. "We're the only real player offering multifamily-office services on an open architecture platform for very wealthy Latin Americans and, to a lesser degree, Europeans," he says. It's a concept that is rapidly catching on. Although TBK technically opened its doors in 2000, Ulloa says that the firm has been actively marketing its services for only the past year and a half. "The big thing was making our platform work," he says. "We had to create a system that could handle feeds from European banks—one that was compatible worldwide and could also handle different asset classes." Ulloa, for one, thinks the jump in assets TBK experienced last year is only the beginning; he predicts the firm will oversee \$1 billion by the end of 2006. When it does, Ulloa says, he will stop trying to bring in new money for a time and focus on serving the clients he has.

The Sage Partnership, with \$1.2 billion under

“The problem with very-high-net-worth individuals is that they bargain hard on fees and demand a lot of services”



Photograph from Hulton Collection/Getty Images

management, has already surpassed the \$1 billion milestone. And it has done so by offering clients whatever services they require, says Jennifer Smith, vice president for marketing and business development. In fact, only 38 percent of the firm's revenues derive from investment advice. Roughly 54 percent comes from negotiated fees for other services, including bill paying, estate planning, insurance consulting, concierge services, and foundation management, says Smith.

Among the multifamily offices on our list, far and away the most frequently mentioned challenge they face involves recruiting, developing, and retaining professionals. As Thomas Wiscomb, a principal at Gresham Partners in Chicago, explains, multifamily offices need people who

are not only skilled at risk navigation and financial planning but who can also educate the next generation so they can participate in the management of their inherited wealth. "Lots of people have business development skills, meaning sales skills," he says, but few have the skills necessary to handle all the subtleties of client relationships. Clearly Gresham has found a few of these well-rounded professionals, who have been able to not only attract new clients but keep existing clients happy. Last year, total assets at the firm grew 55.3 percent to \$2.3 billion; multigenerational client assets grew 22.6 percent to \$1.8 billion; and the firm added five multigenerational clients.

Still, in the multifamily-office business, assets alone don't necessarily guarantee success. Many firms report



Pulling Ahead

Aggregate statistics for our list of 69 multifamily offices that begins on page 74

	2004 (\$MM)	2003 (\$MM)	% CHANGE
Median assets under advisement	1,023.5	799.6	28.0
Mean assets under advisement	2,789.3	2,203.0	26.6
Median multigenerational family assets under advisement	650.0	513.0	26.7
Mean multigenerational family assets under advisement	2,354.1	1,882.2	25.1
Median number of multigenerational family client relationships	27*	25*	8.0
Mean number of multigenerational family client relationships	79*	75*	5.3
Median assets under advisement per multigenerational family	23.2	21.9	7.8
Mean assets under advisement per multigenerational family	44.1	44.3	13.4
Median minimum level of assets under management required of new clients	10.0	—	—
Mean minimum level of assets under management required of new clients	10.7	—	—
Median minimum annual fees required from new clients	25.0**	—	—
Mean minimum annual fees required from new clients	42.1**	—	—

*Number of families; ** in \$thousands

Starting Line

A breakdown of where the firms are located

New York	9
California	7
Pennsylvania	7
Florida	4
Ohio	4
Washington	4
Wisconsin	4
Massachusetts	3
Michigan	3
Minnesota	3
Texas	3
Colorado	2
Maryland	2
Missouri	2
Virginia	2
Alabama	1
Arizona	1
Delaware	1
Georgia	1
Illinois	1
Indiana	1
New Jersey	1
New Mexico	1
North Carolina	1
Vermont	1

that they are working hard to achieve scale and find efficiencies in order to have a more profitable business. "We are profitable having reached the \$350 million mark," says Ulloa. But the reason he is determined to hit the \$1 billion mark is so the firm can increase its margins. Like many MFO professionals, he points out that simply having wealthy individuals as clients isn't always the road to profitability. "The problem with very-high-net-worth individuals is that they bargain hard on fees and demand a lot of services," he says, making the time savings you achieve through an investment in technology or by having competent staff all the

The biggest challenge MFOs face involves recruiting, developing, and retaining professionals



Scouting Report

THE BIGGEST FIRMS ARE GROWING FASTEST

Assets	% growing assets >50%
>\$5B	50.0%
\$1B-<\$5B	12.0
\$0.5B-<\$1B	6.7
<\$0.5B	10.5

MERGERS ARE A FACTOR IN THEIR GROWTH

Assets	% involved in a merger in past three years
>\$5B	62.5%
\$1B-<\$5B	11.5
\$0.5B-<\$1B	0.0
<\$0.5B	5.3

BIG FIRMS GET MORE OF THEIR REVENUES FROM FAMILIES

(\$MM) Assets	% getting >75% of revenues from multigenerational families	% getting <50% of revenues from multigenerational families
>\$5B	100.0%	0.0%
\$1B-<\$5B	52.2	28.6
\$0.5B-<\$1B	42.9	7.1
<\$0.5B	34.4	37.9

GROWTH LAGS AT BANKS AND TRUST COMPANIES

	% of banks and trust companies	% of registered investment advisers
>50% asset growth	11.1%	20.5%
<10% asset growth	44.4	25.0

FIRMS USING OUTSOURCING ARE GROWING FASTER

	Share of >50% growers outsourcing	Share of others outsourcing
Financial planning	10.0%	3.5%
Manager oversight	10.0	2.1
Tax planning	30.0	13.5
Insurance planning	60.0	26.2
Estate planning	30.0	12.1

SOME FIRMS RELY HEAVILY ON THE BIGGEST FAMILY

Share of revenue from biggest client family	% of firms in category
>20%	29.2%
10%-<20%	24.6
5%-<10%	32.3
<5%	13.8

Team Stats

Staffing statistics for our list of 69	2004	2003	% CHANGE
Median assets per employee (\$MM)	\$54.2	\$53.9	0.6
Mean assets per employee (\$MM)	\$70.6	\$58.5	20.7
Median assets per client relationship mgr. (\$MM)	\$173.0	\$157.4	9.9
Mean assets per client relationship mgr. (\$MM)	\$263.6	\$223.5	17.9
Median total number of employees	18.0	15.5	16.1
Mean total number of employees	37.4	35.0	5.7
Median number of client relationship managers	5.0	5.0	0.0
Mean number of client relationship managers	9.0	7.1	26.8
Median other professional employees	8.0	7.0	14.3
Mean other professional employees	17.0	14.4	18.1

more important.

In addition to improving profit margins, reaching a critical mass in assets under supervision can have other advantages. "We want to be a big boutique—big enough to be credible to the family with a \$500 million portfolio," says Moffett Cochran, chief executive officer at Silvercrest Asset Management Group in New York. His firm already has a few such clients and wants even more. His goal is to reach \$10 billion under management. With just a three-year history and a 76.8 percent increase last year to \$5.4 billion in assets, the firm seems well on its way.

Single-family offices, of course, have long been accustomed to catering to the needs—and whims—of very wealthy clients with huge portfolios. Interestingly, several MFOs report that some of their newest—and largest—clients are now single-family offices. Richard Thielen, CEO at RINET in Boston, says he added two new single-family offices as clients last year, which helped to push the firm's total assets up 31.4 percent during the year—to just over a \$1 billion. Thielen says his new single-family office clients appreciate the full slate of services his firm offers, which include in-house estate planning and tax preparation. "It's always easy to attract financial-planning clients, but sometimes the new wealthy don't want and don't ascribe value to family-office services," he points out. Thielen notes that the addition of single-family office clients with assets of \$75 million or more makes it possible for him to include accounting and estate-planning services as part of his standard asset-based fee package.

Still, having single-family offices as clients can present challenges. For example, at Calibre, the multifamily office owned by Wachovia in Charlotte, N.C., about half its clients are single-family offices. Daniel Prickett, managing executive, says one of the problems he faces is trying to provide sophisticated, timely reporting to single-family office professionals. The heads of some families he serves

require far simpler, and less frequent, reports. "It all depends on who in the family or family office wants the information," Prickett says. "Clearly there are family offices that want immediate access to every trade that happens and ongoing tax data. In contrast, at least in the short term, there are patriarchs who just want to know how they did overall."

As a result, says Prickett, he's had to bifurcate his business between those enjoying the

full slate of family-office services and those—with account balances of, say, between \$10 million and \$20 million—who get something closer to traditional financial planning. He's not alone. Many of the firms in this year's listing say they offer tiers of services for their clients, with the most comprehensive services being offered only to clients willing to meet certain asset minimums or pay specific fees.

Some multifamily offices listed have even pruned their client rosters to try to get a more profitable business model. Harris myCFO, for example, reduced the number of clients it serves to 156 from 200 during 2004. Part of the rationale for this move, says Graham Parsons, executive vice president at Harris Private Bank in Chicago, was to better integrate the firm with Harris Financial, which bought myCFO in 2002. The goal, according to Parsons, was to move those clients with between \$1 million and \$25 million to the private bank and those with \$25 million and up to myCFO, which offers, among other things, a highly sophisticated and expensive-to-build technology platform. "The families with less than \$25 million didn't really need the more expensive family-office services," Parsons says. "Although we might have lost some clients along the way, there was a conscious effort to keep them as clients at a more reasonable cost to them."

Just how much should an MFO spend on technology? That's a subject of discussion not only at myCFO but at virtually all the firms listed. More than a third cite integrating and/or consolidating technology as one of the toughest problems they face.

Even the firms that feel they have a leg up on technology say they continue to search for ways to make improvements. "We invest a lot in technology. It's a function of our history," says Scott Welch, a managing director at Lydian Wealth Management in Rockville, Md.

In the '90s, Welch says, the firm created a sophisticated

Multifamily-Office Roster

FIRM NAME	LOCATION	2004 TOTAL ASSETS UNDER ADVISEMENT (\$MM)	% CHANGE FROM 2003	MULTI- GENERATIONAL FAMILY ASSETS 2004 (\$MM)	% CHANGE FROM 2003	MULTI- GENERATIONAL FAMILY RELATIONSHIPS 2004
Arlington Partners	Birmingham, AL	1,065.9	21.5	765.0	50.1	11
Ashbridge Investment Management	Philadelphia, PA	1,075.0	13.2	810.0	11.0	41
Asset Management Advisors	Palm Beach Gardens, FL	5,878.2	51.8	5,878.2	51.8	281
Aufman Associates	Sewickley, PA	472.5	1.3	166.3	-7.3	25
Baldwin Management	W. Conshohocken, PA	300.0	0.0	250.0	0.0	30
Barrett/Pontiff & Fairweather	Denver, CO	75.0	7.1	35.0	0.0	3
BBR Partners	New York, NY	2,000.0	25.0	1,700.0	30.8	28
Beaumont Financial Partners	Wellesley Hills, MA	829.1	14.5	145.0	29.5	27
Bessemer Trust	New York, NY	42,400.0	5.7	42,400.0	5.7	1,825
Brighton Jones	Seattle, WA	750.0	36.4	500.0	25.0	50
Bristlecone Advisors	Seattle, WA	4,000.0	N/A	400.0	N/A	21
Calibre	Charlotte, NC	14,500.0	19.8	14,500.0	19.8	200
Catalyst Financial Planning & Investment Mgmt	Oakland, CA	113.4	39.0	79.7	20.8	5
Clanco Management	Pepper Pike, OH	600.0	26.3	375.0	36.4	14
Clarfeld Financial Advisors	Tarrytown, NY	1,825.7	13.2	925.0	15.6	28
Diversified Management	Milwaukee, WI	451.0	20.3	230.0	2.7	5
Financial Clarity	Mountain View, CA	725.0	21.1	650.9	16.2	28
Gresham Partners	Chicago, IL	2,288.3	55.3	1,806.7	22.6	66
Greycourt	Pittsburgh, PA	3,600.0	20.0	2,900.0	0.0	32
Harris myCFO	Redwood City, CA	29,000.0	93.3	29,000.0	93.3	156
Highmount Capital	New York, NY	886.0	16.1	886.0	16.1	52
Hillview Capital Advisors	Ardmore, PA	938.0	7.3	700.0	7.7	52
Hudson Advisor Services	Buffalo, NY	273.4	16.5	140.4	1.0	16
Inlign Wealth Management	Phoenix, AZ	925.5	82.9	506.5	28.6	10
Jacobus Wealth Management	Milwaukee, WI	600.0	25.5	391.6	16.4	27
Kanaly Trust	Houston, TX	1,500.0	0.0	614.0	7.5	93
Kochis Fitz	San Francisco, CA	1,204.1	28.8	348.0	22.5	64
Laird Norton Tyee	Seattle, WA	3,800.0	22.6	1,500.0	70.5	139
Lau Associates	Wilmington, DE	550.0	37.5	420.0	40.0	13
Legacy Trust	Ponte Vedra Beach, FL	130.0	73.3	75.0	66.7	7
Lipson Group	Cleveland, OH	2,956.0	11.5	2,691.0	14.5	16
Lowry Hill	Minneapolis, MN	6,300.0	6.8	6,300.0	6.8	300
Lydian Wealth Management	Rockville, MD	7,400.0	54.2	4,200.0	40.0	32
Mahoney Cohen Family Office Services	New York, NY	N/A	N/A	3,000.0	20.0	13
Manchester Capital Management	Manchester, VT	749.4	41.1	535.2	46.0	7
MNS Financial Management	Fort Myers, FL	58.2	37.6	23.7	44.3	2
Oxford Financial Group	Indianapolis, IN	6,995.8	0.6	2,144.3	1.9	513
Pepper International	New York, NY	110.0	0.0	110.0	0.0	2
Pitcairn Financial Group	Jenkintown, PA	2,500.0	19.0	1,900.0	18.8	155
Plancorp	Chesterfield, MO	551.4	30.0	128.5	21.7	18
Plante Moran Financial Advisors	Southfield, MI	3,900.0	44.4	1,500.0	36.4	25
Presidio Wealth Management	San Francisco, CA	1,408.6	53.7	1,408.6	53.7	76
Prosperitas Group	Bloomfield Hills, MI	250.0	25.0	250.0	25.0	11
Quintile Wealth Management	Los Angeles, CA	1,262.1	-8.6	1,262.1	-8.6	26
RINET	Boston, MA	1,051.0	31.4	640.2	28.0	26
Round Table Services	Westfield, NJ	406.0	3.8	260.0	-6.8	8
Sage Partnership	Edina, MN	1,228.0	109.9	1,209.0	106.7	120
Sawmill Trust	Minneapolis, MN	400.0	0.0	400.0	0.0	2
Schofield Financial Counseling	Cheswick, PA	280.0	7.7	250.0	8.7	7
SCS Financial Services	Waltham, MA	1,554.8	23.5	1,475.0	23.1	42
Sentinel Trust	Houston, TX	1,200.0	33.2	1,200.0	33.2	16

RIA = registered investment adviser; SCT = state-chartered trust company; CPA = accounting firm; NCT = nationally chartered trust company

MULTI-GENERATIONAL FAMILY RELATIONSHIPS 2003	AVERAGE MULTI-GENERATIONAL FAMILY ASSETS 2004 (\$)	% CHANGE FROM 2003	% OF REVENUE FROM FAMILIES	REGULATORY STRUCTURE	% OWNED BY FAMILIES	YEAR STARTED	YEAR MFO SERVICES OFFERED	MINIMUM AUM (\$)	MINIMUM FEES (\$)
8	69,545,455	9.2	90	RIA, SCT	—	1998	1998	10,000,000	50,000
37	19,756,098	0.1	75	RIA	>50	1992	1992	10,000,000	75,000
204	20,918,972	10.2	100	RIA	<50	1989	1990	10,000,000	—
25	6,653,495	-7.3	37	RIA	—	1983	1983	—	6,000
30	8,333,333	0.0	56	RIA	>50	1999	1999	1,000,000	—
3	11,666,667	0.0	50	RIA	—	1976	1986	—	—
23	60,714,286	7.4	85	RIA	—	2000	2000	10,000,000	—
24	5,370,370	15.1	30	RIA	<50	1981	1995	—	10,000
1,850	23,232,877	7.2	92	Bank	100	1907	1975	10,000,000	10,000
40	10,000,000	0.0	50	RIA	—	2000	2000	—	—
N/A	19,047,619	N/A	100	RIA	—	1999	2001	3,000,000	—
160	72,500,000	-4.1	100	RIA, bank	—	1879	1983	25,000,000	—
5	15,940,000	20.8	54	RIA	—	1996	1996	1,000,000	12,500
9	26,785,714	-12.3	100	RIA	—	1983	2002	10,000,000	50,000
24	33,035,714	-0.9	60	RIA	—	1981	1981	5,000,000	—
5	46,000,000	2.7	44	RIA	—	1993	1994	500,000	—
26	23,247,071	7.9	85	RIA	—	1992	1995	—	—
61	27,374,970	13.3	9	RIA	—	1997	1997	20,000,000	100,000
30	90,625,000	-6.3	77	RIA	—	1988	2000	—	40,000
200	185,897,436	147.9	100	RIA	—	2002	2002	25,000,000	—
49	17,038,462	9.4	100	RIA	—	2002	2002	—	—
61	13,461,538	26.3	93	RIA	—	1999	1999	10,000,000	—
15	8,777,396	-5.3	58	RIA	100	1997	1997	2,000,000	—
9	50,649,270	15.7	57	RIA	<50	2002	2002	1,000,000	10,000
27	14,503,704	16.4	90	RIA	100	1986	1996	—	—
87	6,602,151	0.6	42	SCT	—	1975	1975	—	—
70	5,437,490	34.0	25	RIA	—	1991	1994	5,000,000	—
137	10,791,367	68.0	34	RIA	>50	1967	1979	—	25,000
11	32,307,692	18.5	70	RIA	—	1985	2000	2,000,000	—
3	10,714,286	-28.6	90	SCT	<50	2002	2003	5,000,000	5,000
12	168,187,500	-14.1	69	CPA	—	1984	1994	—	20,000
300	21,000,000	6.8	100	RIA	—	1986	1986	10,000,000	100,000
25	131,250,000	9.4	40	RIA	—	1994	1999	10,000,000	—
12	230,769,231	10.8	60	CPA	—	1969	1976	—	50,000
7	76,457,143	46.0	71	RIA	—	1992	1998	25,000,000	—
2	11,842,001	44.3	25	RIA	—	1999	2000	250,000	2,500
524	4,179,864	4.1	30	RIA	—	1981	1984	5,000,000	—
2	55,000,000	0.0	100	Advisory firm	—	2001	2001	20,000,000	—
147	12,258,065	12.6	75	SCT	>50	1923	1989	5,000,000	25,000
17	7,139,111	14.9	26	RIA	—	1983	2000	2,000,000	15,000
20	60,000,000	9.1	30	RIA	—	1977	1993	750,000	6,000
60	18,534,211	21.3	100	RIA	<50	1997	1998	—	30,000
9	22,727,273	2.3	100	RIA	—	2000	2000	—	—
27	48,541,848	-5.1	95	RIA	—	2002	2002	10,000,000	25,000
26	24,622,769	28.0	51	RIA	—	1974	1974	—	35,000
7	32,500,000	-18.5	51	RIA	—	1999	1999	—	25,000
77	10,075,000	32.6	99	RIA	—	1990	1999	—	25,000
2	200,000,000	0.0	100	SCT	100	2004	2005	—	—
6	35,714,286	-6.8	75	RIA	—	1987	1987	—	5,000
37	35,119,048	8.5	90	RIA	—	2002	2002	15,000,000	75,000
14	75,000,000	16.5	98	SCT	>50	1997	1997	—	125,000

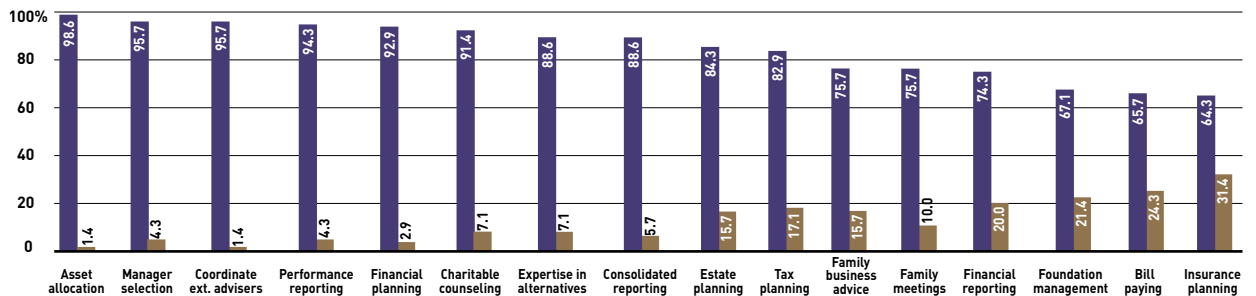
Multifamily-Office Roster

FIRM NAME	LOCATION	2004 TOTAL ASSETS UNDER ADVISEMENT (\$MM)	% CHANGE FROM 2003	MULTI-GENERATIONAL FAMILY ASSETS 2004 (\$MM)	% CHANGE FROM 2003	MULTI-GENERATIONAL FAMILY RELATIONSHIPS 2004
Signature Financial Management	Norfolk, VA	1,454.6	18.6	1,337.4	158.9	16
Silvercrest Asset Management Group	New York, NY	5,410.0	76.8	4,970.0	76.2	150
St. Louis Trust	St. Louis, MO	1,152.0	18.4	1,152.0	18.4	32
Sterling, a National City Co.	Pepper Pike, OH	1,396.0	8.7	871.0	6.5	62
Sumnicht & Assoc.	Appleton, WI	374.4	-0.4	280.0	3.7	3
Synovus Family Asset Management	Columbus, GA	4,100.0	13.9	4,100.0	13.9	53
TAG Associates	New York, NY	3,990.0	11.1	3,990.0	11.1	84
TBK Investments	Miami, FL	351.2	188.4	351.2	188.4	41
Threshold Group	Gig Harbor, WA	670.0	34.0	670.0	34.0	3
Tolleson Wealth Management	Dallas, TX	996.0	24.5	174.0	24.3	10
Truepoint Capital	Cincinnati, OH	470.0	24.2	152.7	57.7	13
Universal Advisory Services	Albuquerque, NM	677.5	15.0	240.0	17.1	10
Vogel Consulting	Brookfield, WI	2,600.0	8.3	2,150.0	19.4	42
Waypoint Advisors	Norfolk, VA	417.0	10.6	361.0	5.2	7
Wealth Management Consultants	Denver, CO	393.1	27.9	393.1	27.9	55
Wetherby Asset Management	San Francisco, CA	1,160.0	16.0	750.0	36.4	38
WMS Partners	Baltimore, MD	541.6	18.1	450.0	50.0	32
Yolles-Samrah Wealth Management	Bloomfield Hills, MI	200.0	25.0	55.0	22.2	12

RIA = registered investment adviser; SCT = state-chartered trust company; CPA = accounting firm; NCT = nationally chartered trust company

Levels of Service

Percentage of listed firms that offer the following services



in-house portfolio-accounting and performance-reporting system. Arthur Andersen's high-net-worth division hired Lydian to handle its clients' portfolios largely on the strength of that technology. That part of Lydian's business has continued to grow. In addition to offering family-office services, the firm now provides a comprehensive wealth-management platform for independent financial advisers under the name of Fortigent.

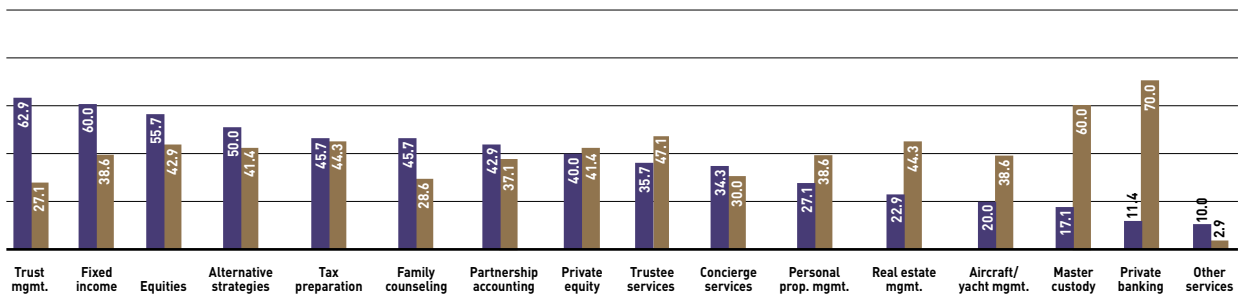
In short, "technology pays in the long run," says Welch. "It's these operating efficiencies that make you more profitable." During 2004, Lydian's total assets grew 54.2 percent to \$7.4 billion, while its multigenerational assets grew 40 percent to \$4.2 billion.

A few firms, like Bristlecone Advisors, have sought to im-

prove efficiency—and hopefully profitability—specifically by enlisting technology to help manage client contacts (see "Fanning Out," page 28). Although Bristlecone began with the idea of serving clients with cutting-edge technology, other firms have discovered somewhat belatedly that they needed to upgrade as they've grown. Ashbridge Investment Management in Philadelphia, for example, is currently in the process of introducing a sophisticated client relationship management system. "It wasn't necessary before," says Jeffrey Hollowniczky, chief operating officer. But now, with more than \$1 billion in assets under supervision, it is. Any given client may have contact with half a dozen people at Ashbridge, he points out, although all clients are assigned a dedicated relationship manager

MULTI-GENERATIONAL FAMILY RELATIONSHIPS 2003	AVERAGE MULTI-GENERATIONAL FAMILY ASSETS 2004 (\$)	% CHANGE FROM 2003	% OF REVENUE FROM FAMILIES	REGULATORY STRUCTURE	% OWNED BY FAMILIES	YEAR STARTED	YEAR MFO SERVICES OFFERED	MINIMUM AUM (\$)	MINIMUM FEES (\$)
13	83,587,200	110.4	60	RIA	—	1994	1994	5,000,000	—
100	33,133,333	17.5	92	RIA	<50	2002	2002	10,000,000	—
29	36,000,000	7.3	100	SCT	<50	2002	2002	10,000,000	50,000
62	14,048,387	6.5	54	Bank	—	1980	1983	10,000,000	40,000
3	93,333,333	3.7	45	RIA	—	1988	1995	2,000,000	—
45	77,358,491	-3.3	48	NCT	<50	1888	1998	25,000,000	—
78	47,500,000	3.2	100	RIA	—	1983	1983	10,000,000	75,000
26	8,565,891	82.9	100	RIA	—	2000	2001	5,000,000	—
1	223,333,333	-55.3	100	RIA	100	1998	2004	100,000,000	250,000
8	17,400,000	-0.6	25	RIA	>50	1997	2000	—	—
10	11,743,692	21.3	26	RIA	—	1990	1993	—	7,500
9	24,000,000	5.4	42	RIA	—	1985	1995	—	40,000
41	51,190,476	16.6	78	RIA	—	1993	1993	10,000,000	—
12	51,571,429	80.4	61	RIA	—	2001	2001	1,000,000	—
48	7,146,800	11.6	100	RIA	—	1993	1993	10,000,000	—
30	19,736,842	7.7	50	RIA	—	1990	1997	5,000,000	37,500
25	14,062,500	17.2	71	RIA	—	1992	1993	—	—
9	4,583,333	-8.3	33	RIA	—	1987	2000	—	15,000

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as well as an account administrator who works with them. It's important to have a system in place that keeps track of all those different client interactions.

Because this is only the second time a listing of this kind has ever been published—our effort last year being the first—you may well ask, “what is a multifamily office anyway?” You'd be correct in assuming that there is no consensus on what distinguishes a multifamily office from, say, a wealth manager or a financial planner. Our methodology for selecting firms for the list is spelled out in “Making the Cut” on page 79. Although we've tried to be as inconclusive as possible, nonetheless, many in the wealth management industry have a stricter definition of who should be in the MFO club and who shouldn't. Our

partner in this report, Family Wealth Alliance in Oak Brook, Ill., for example, has just published a new, more rigorous set of criteria for what constitutes a multifamily office (see “Qualifying for the Team,” page 81).

The way we see it, one argument for a looser definition of what constitutes an MFO is that increasingly, services are being delivered to wealthy families in a variety of ways. Carol Pepper, president of Pepper International in New York, for example, runs what she calls a virtual family office, which we've included in our listing. A solo practitioner, she currently has two multigenerational families with a total of \$110 million. But her role is different from others listed here. She describes herself as “the one person who oversees it all.” That means coordinating the money

METHODOLOGY

Making the Cut

THIS SECOND ANNUAL LISTING OF multifamily offices by BLOOMBERG WEALTH MANAGER was conducted in cooperation with Family Office Management, a consulting firm in Oak Brook, Ill. Based on our own data and that of

Family Office Management, we sent out questionnaires to firms deemed likely to be multifamily offices, including those that participated in last year's listing. To be included in the accompanying listing, it was required that firms offer an exten-

sive menu of family-office services. Further, we set a minimum average size of \$4 million for multigenerational client relationships, and a minimum of 25 percent of firm revenue coming from multigenerational client relationships. —KB



managers, lawyers, accountants, and other advisers her clients have. To do this she has access to all client accounts for oversight purposes, but “I don’t touch cash, can’t wire money or move assets without permission,” she says. Part of her oversight role also involves forensic accounting. It’s her job to retain an outside accountant to vet the work of others. Among other things, she thinks that staffers serving a family—in particular bookkeepers working out of clients’ homes—should know that at least once a year an audit will be conducted by an outside accountant. But the exact timing of the audit should be a surprise.

In addition to the two families she serves, Pepper says she is frequently retained by wealthy families to find money managers and other financial and nonfinancial professionals. For example, she will determine asset allocations, select money managers, accountants, lawyers, and even medical doctors for families. “What I do is more personally tailored than the traditional MFO,” she says. “It’s complete couture.”

Perhaps it’s the hunt for profitability or the sheer desirability of the multifamily-office model, but nine of the MFOs listed were involved in a merger or acquisition in 2004. For the most part, they were the acquirers: four, including Sage, bought one or more single-family offices and two acquired smaller financial-advisory firms. Calibre, for example, bought Tanager Financial Services in Waltham, Mass., which was included in last year’s MFO listing. Lydian Wealth Management acquired two advisory firms, Copper Beech in Radnor, Pa., and Windermere Investment Asso-

ciates in Portland, Ore. While Copper Beech has become Lydian’s Philadelphia-area branch office, Windermere remains independent of Lydian because its clients tend not to delegate financial decision making to the degree Lydian’s do. As a result, Windermere’s numbers aren’t included in Lydian’s tally, whereas Copper Beech’s are.

Based on responses from the MFOs, the nine mergers aren’t the end of consolidation for this group. Twenty firms report that they are likely or somewhat likely to acquire a smaller firm within the coming 12 months, three firms say it is somewhat likely that they will be acquired by a larger firm, and three others report it is likely or somewhat likely they will merge with a firm of equal size.

That big institutions are also interested in acquiring MFOs is also clear, particularly when one considers the desirability of doing business with their clients. Not only do these clients bring considerable assets to the table, but they are generally “important” people. “This isn’t a high-margin business,” says Prickett. “But it serves very influential people who are on a lot of boards and have real weight within their communities. That’s one reason the chairman [of Wachovia] watches this business carefully, even though it isn’t a huge contributor to the bottom line. These clients can enhance your reputation; they can also tarnish it if they are unhappy. But if you do well by your clients, it is all to the good.”

KIERAN BEER (kbeer@bloomberg.net) is an executive editor at BLOOMBERG WEALTH MANAGER.