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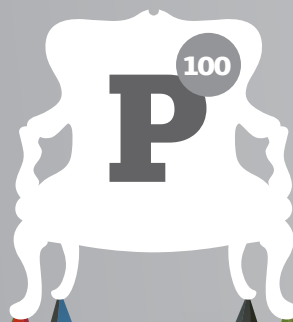
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# “What is a ‘virtual family office’?”

By Bill Loftus

### IF YOU BUILD IT, THEY WILL COME.

We recently visited Tom, the patriarch of a wealthy family on the West Coast that had started its own single family office (SFO) in 2007. The family's members' impetus was to gain greater control over their finances while reducing costs. They were frustrated by the unwieldy task of tracking different relationships with banks and brokers, as well as the seeming lack of coordination among the various advisors.

Tom's experience with his SFO generated mixed reviews. While he said he gained greater control, the costs outweighed the benefits. The SFO was not the panacea he had envisioned. What went wrong? Building a SFO was like building a business, he told us. He had to lease office space, buy software to manage the enterprise and investments, attract talent, establish policies and procedures, educate the team on the family's goals and objectives, determine which legacy relationships would be kept, develop risk and liquidity parameters for the various investment strategies and put in place a budget to adequately fund the enterprise. Tom added that it took a year to put the SFO in place and several years before it was running on all cylinders. Even more important: The

annual cost to run the office (salaries, rent, furniture, software, insurance, etc.) was in the neighborhood of \$2 million. As advisors, we estimate that about \$250 million in assets is required to justify establishing a SFO. All these factors led Tom to conclude that he would close his family's SFO by the end of the year.

Are there alternatives that address the financial, emotional and philanthropic needs of a family without the embedded fixed cost of a SFO? We believe the model that best addresses the sophisticated needs of a family while still offering greater control, privacy, value and flexibility is something we call the virtual family office (VFO). What are the component parts of a VFO and how should they interact with one another for optimal efficiency?

Over the years we have found that a typical family requiring the services a SFO offers needs an understanding of its private and publicly-traded investments, business interests, philanthropic structures, trust and estate plan, real estate, tax picture and most important, its family values and aspirational goals. The VFO should include:

- A registered investment advisor (RIA) charged with developing an overall asset allocation strategy and the ability to allocate funds to a

number of sub-advisors specializing in specific areas of investing

- The Family Office division of a major accounting firm experienced in sophisticated tax matters, project management and consulting

- A boutique investment bank skilled in analyzing existing and future private investments

- A firm specializing in sophisticated trust and estate plan design with the ability to marshal legal, tax and insurance resources

- A primary need is a project leader who “owns the relationship.” This person or firm is the chief relationship manager to the family, charged with fully understanding the overall mission, risk temperament and objectives of the family as well as the requirements of each member. The chosen firm must be skilled in coordinating the information flow among all advisors and reporting back to the family in a timely and articulate manner. It should be noted that this firm may in fact be one of the primary service providers mentioned above.

In summary, our research indicates that one can build a highly effective VFO capable of delivering better investment, tax, legal, investment banking and consulting services at a fraction of the cost of owning and operating your own SFO. ☺

*Past performance is no guarantee of future results. There is no guarantee the views and opinions expressed in this article will come to pass. LLBH Private Wealth Management, LLC (LLBH) is an SEC-registered investment advisor located in Westport, CT. Contact LLBH or refer to the Investment Adviser Public Disclosure website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)). For additional information about LLBH, including fees and services, send for our disclosure brochure as set forth on Form ADV from LLBH using the contact information herein. Please read the disclosure brochure carefully before you invest or send money.*

## How to reach **Bill Loftus**

*I look forward to discussing how I can help you reach your financial goals. I can be reached directly at 800.700.5524.*

***“We estimate that about \$250 million in assets is required to justify establishing a single family office.”***

—Bill Loftus

Left to right: Jim Pratt-Heaney, Bill Lomas, Kevin Burns, Bill Loftus



### Who Are Our Clients?

LLBH Private Wealth Management is a Registered Investment Advisory (RIA) firm, created to work with entrepreneurs and senior executives who became wealthy because they made great decisions. Our disciplined process ensures that we see the complete picture of your financial situation so that we can make informed and suitable recommendations to help you accomplish your goals and objectives. Our process also works for those who have been thrust into decision-making roles due to life-changing events such as retirement, the sale of a business, a divorce or a death in the family. Just as they do in their professional lives, our clients want a thorough and candid process in order to make smart decisions about their financial lives. Simply put, LLBH clients respect our ability to get things done.

Assets Under Management  
**\$900 million**

Minimum Fee for Initial Meeting  
**None required**

Minimum Net Worth Requirement  
**\$10 million (investment services)**

Largest Client Net Worth  
**\$500 million**

Financial Services Experience  
**120 years (combined)**

Compensation Method  
**Asset-based**

Primary Custodian for Investor Assets **Pershing, A BNY Mellon Company**

Professional Services Provided  
**Planning, investment advisory, money management, advanced wealth transfer planning and corporate services**

Association Membership  
**Investment Management Consultants Association**

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