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Strategy Document

# Family Office Services

Not just for the ultra-wealthy

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**Resources Unearthed is a solutions hub that provides integrated financial, legal, property, accounting, tax and business advisory services for executives, professionals and business owners in the mining and resources sectors.**

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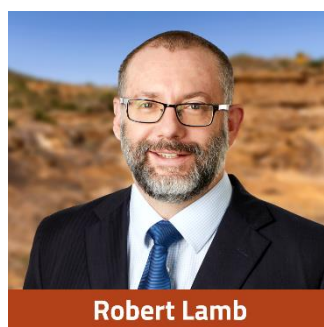
## About the Contributors



### **James Marshall**

Director, Financial Adviser and ESS Strategist

James is a highly qualified, award-winning Financial Planner and Executive Share Scheme (ESS) strategist advising executives, professionals, business owners and expatriates predominantly in mining and resources industries.



### **Robert Lamb**

Lawyer

Robert is a civil litigator with over 20 years' experience. A highly credentialed and practised legal adviser, Rob has particular interest in wills and estates, employment and family law (property matters), litigation and dispute resolution.



### **Craig Barry**

Chartered Accountant, Tax Specialist and Business Advisor

Craig Barry has worked with mining and resources professionals and executives for his entire professional life. He has the skills necessary to solve highly complex tax issues and is often called upon to interpret complex tax laws and government mandates.

## Overview

While there's no doubt the Rineharts and the Forrests will have a team of dedicated internal experts managing their significant personal and business affairs, the need for bespoke Family Office services for those with established or emerging wealth in the millions, rather than billions, is increasingly in demand.

In this document, expert collaborators Financial Adviser and ESS Strategist James Marshall, Accountant, Craig Barry and Lawyer, Robert Lamb will explore the key issues family leaders need to consider when managing their financial, business and legal matters in context of inherent complexity that characterises their constantly evolving wealth and family circumstances.

## Family Office not just for the ultra-wealthy

By James Marshall, Financial Adviser & ESS Strategist

Last year, Resources Unearthed celebrated 10 years advising senior executives, professionals and business owners in the mining and resources industries. Throughout that time our core purpose has been to provide quality and relevant information and access to proven, specialist advisers in financial planning, legal support, tax and business advice.

Suffice to say, we have first-hand knowledge of the issues faced by very high net wealth families.

While wealthy people have a lot of complexity in general, it seems for those in mining and resources it can be next level once industry specific challenges are added.

Very high incomes, often supplemented further with profits from employee share schemes, performance incentives and bonuses in addition to valuable accumulated assets, necessitates asset protection, tax management structures and multiple business entities for managing it all.

For many senior executives and business leaders in this industry, there simply aren't enough hours in the day, which is why professional oversight is a key benefit of a formalised Family Office service.

For wealthy individuals or family groups who may be considering Family Office services, reviewing your current needs and identifying the benefits of a closely coordinated financial planning, tax, business and legal service for your circumstances, is a good place to start.

Among the benefits is opportunity to delegate the heavy lifting of day to day personal/family administration to a highly experienced and qualified Family Office advice team.

In so doing, you'll also eliminate the time and effort needed for coordinating between, and the tedium of repeatedly briefing, different and usually unrelated professional advisers.

For Resources Unearthed clients who engage our Family Office service, they remain able to directly access individual advice team professionals, while benefiting from a highly informed central coordinator who manages the professional relationships and coordinate all Family Office services to deliver outcomes as required.

This approach to Family Office services strives to create greater value for lower cost, less of your time, and with higher accuracy.

This is achieved naturally as the advice team's collaborative approach produces efficiencies borne of all professional advisers being on the same page and fully briefed with a deep understanding of the family's circumstance, values and goals which increases the likelihood of successful outcomes.

It's common during the establishment phase of a Family Office, that the family matriarch or patriarch directs the advice team. However, the intention should be for other family members to become involved as the family's wealth, and the family itself, continues to grow and evolve.

A key benefit of proactive and constructive involvement of family members allows responsibilities to be shared across existing and next generation family leaders.

This is particularly important as appropriate generational wealth transfer will forever be a pressing and complicated family issue.

Involvement of a diversity of family members in age and circumstances, can bring different viewpoints (for better or worse) and highlight requirements for individuals and nuclear families as they evolve in future, while potential problems and opportunities can also be identified and mitigated.

Involvement of others can also bring safeguards that enable alternative decision making in a range of situations.

For example, the family group could face serious consequences if a sole decision maker was to fall critically ill, pass away or become compromised in some other way. These issues will be among the many legal matters, Robert Lamb will address in the following chapter.

It will be these types of professionally advised and guided discussions that shape how a family group can set their charter and then go about achieving their financial and non-financial goals across many generations to come.

Importantly, Family Office advice services such those offered by Resources Unearthed advise and guide decision making, implement a clear framework for delivery of services necessary for achieving outcomes that meet the family's immediate and medium term (five to 10 years) goals, as well as those beyond in perpetuity.

It's important to note, entry level Family Office services, suitable for those with wealth and assets upwards of several million, do not require a Family Office 'firm' for directly employing advisers and other professionals.

In fact, the benefit of the Resources Unearthed Family Office service offering, is your advisers are already handpicked from a panel of seasoned professionals, capable of delivering your family's requirements.

A Family Office comprising dedicated highly skilled professionals, who collaborate as we do to deliver seamless, best possible outcomes in context of clearly articulated values, goals and timeframes is a proven solution.

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## **Family Office Legal Services: Closing the gate BEFORE the horse has bolted**

By Robert Lamb, Legal Advisor

Wealthy individuals and family groups face inherent complexity as their wealth increases and their family continually grows and changes. Family Office legal considerations can be far ranging and need to be addressed proactively, if not urgently, as closing the gate once the horse has bolted can result in adverse impacts for years, and often generations to come.

Carefully curated Family Office services can do the heavy lifting of the financial, business, tax and in particular, legal matters and for meeting obligations that affect wealthy individuals and their family groups.

Family Office services are increasingly in demand for wealthy individuals. As described in my colleague James Marshalls' overview, a coordinated Family Office isn't solely the domain of the ultra-wealthy. It makes good and practical sense for those with considerable and emerging wealth to establish personal administration earlier rather than later.

When it comes to wealth, complexity seems to dominate most things and this is made more difficult when decisions about hard assets involve the softer and often irrational and unpredictable nature of human emotions.

There is a raft of legal matters that need to be discussed and actions decided upon. It can feel overwhelming.

Managing your considerable personal wealth now, as it evolves and in context of intergenerational wealth transfer cannot, and must not, be left to chance.

For the purpose of this article and for simplicity's sake, I've assigned key legal matters to those that should be attended to 'during life' and those that matter 'afterward'.

However, it must be noted each individual and their family group circumstances will differ and will require a bespoke approach to advice and the blend of professional services.

### **During Life**

There have been numerous studies by reputable organisations over the years that come to a similar wealth conclusion. Three generations appears to be a curse.

Among them Nasdaq, which reported 70% of families lost their wealth in their second generation and 90% of families lost it in the third. Indeed, we've written about shirtsleeves to shirtsleeves in three generations here in our Resources Unearthed blog as well.

If you are a family patriarch or matriarch who has created your family wealth, the prospect of losing all you've accomplished in your lifetime can weigh heavily on your shoulders.

Protecting your future offspring from themselves and preserving family wealth for the benefit of generations to come (beyond the curse of three) should be among your legacy planning priorities.

You will need qualified legal advice and support, and this will be more effective when in collaboration with other qualified, expert professionals including your financial adviser and accountant.

Together an 'advice team' can cover all the bases while providing differing perspectives, expertise and initiative that not only contributes to seamless integration of a broad collection of Family Office matters but often produces better outcomes.

Legal matters that commonly need addressing include asset protection, establishing frameworks and structures for governance, legal administration for compliance to regulatory matters including securities and tax law, and dispute resolution that may range from mediation to litigation for resolving matters both outside and within the family group.

Legal advice and guidance requiring a deep understanding of the family's wealth and purpose, includes deciding upon and implementing legal structures, process and guidance for wealth transfer.

This advice and guidance can span immediate inheritances to children and longer-term intergenerational wealth transfer planning and implementation for grandchildren, great grandchildren and those beyond. Charitable giving and philanthropic activities will also need careful consideration.

As a family's wealth is very often underpinned by successful business endeavours, advance planning and consideration to legal matters for business succession and transitioning family-owned businesses from one generation to the next will also require advice and support for future successful continuity.

Aside from business matters, there are often very personal decisions that need to be made relating to the family group as a whole and for the individuals within it.

For example, how do you want your children and other family members to benefit (or perhaps not) from your wealth during your life? Will you give with a warm hand, rather than making them wait until its cold?

How will you deal with fairness, and what could be the legal ramifications of gifting money verses formalising lending arrangements (even if you don't intend the loan to be repaid) for significant purchases such as homes or businesses?

There can be disastrous consequences of lending money to family members based on nothing more than the best of intentions. Unfortunately, marriages break down and in the absence of documentation you will likely have no recourse on your money, now in the form of a valuable home that's included in marital assets to be split with a non-family member.

Just as damaging, business partnerships can turn sour resulting in bankruptcy and the substantial start-up funding given in good faith dissolves with the now defunct business.

Careful consideration must also be given to how wealth will be distributed through the generations, remembering you don't yet know future family members or what their circumstances might be.

Family members can have serious problems – gambling, substance abuse or they become critically ill or have an accident and die suddenly without a Will.

Planning and documentation during your life can avoid a lot of potential problems and save a lot of money and angst later.

### **Afterward**

Quite apart from the emotional angst caused for loved ones, dying without a Will can leave immense legal, financial, wealth and business problems.

You may recall when Robert Holmes a Court, a successful businessman and one of Australia's richest men, died suddenly aged 53. It was 1990, and reportedly at the time of his death he had assets were worth \$800 million.



Unfortunately for all those he loved or depended on him, he died intestate – without a Will.

The legal wrangling took 20 years and the jury is still out as to whether the seriously damaged family relationships ever healed or if they ever will.

You'd be surprised how many wealthy people don't have a Will or Estate Plan. For those who do, it's often so old that the instructions and provisions for beneficiaries have little relevance to current circumstances.

Not surprisingly, from a legal perspective outdated Wills and Estate Plans that fail to keep pace with changing family relationships, business and legislative changes, can be so riddled with holes and they won't hold water when contested in what can be long, drawn out and expensive legal battles.

Wealthy individuals need well planned and well executed Wills that provide clear instruction and provisions for their wealth in context of individuals and the family group as a whole.

This is to ensure, once they've passed on, their wealth is protected and distributed effectively, legally and in accordance with their agreed wishes and the overriding needs, goals and philosophies of the family group.

You (and everyone else in the family group particularly the family leaders) need a current Will, with appropriate Executors and Enduring Power of Attorney.

On the latter point, your representatives must be available to, and capable of, making complex and difficult decisions on your behalf that will likely impact your family group, when you can't.

Reviewing and updating your Executor and Power of Attorney should be done regularly as circumstances can change in your relationship with them. Not least they pre-decease you or you have a falling out that makes them morally or legally unsuitable to represent you.

If executing a Will is step one, then implementing an Estate Plan that includes among other things Testamentary and Superannuation Proceeds trusts, asset protection and tax minimisation structures for dealing with unneeded tax consequences if an important next step.

You may also consider a Statement of Wishes that articulates your intentions or desire for distribution of your personal wealth to your children and grandchildren. For family groups, this can also serve to reinforce the overarching goals, family values and responsibilities and the enduring charter of your family wealth.

Wealthy individuals who are serious about shoring up their legacy require a flexible Family Office service that integrates wide ranging legal, business, tax, and financial matters that affect both individuals, the family group as a whole and for generations to come.

*The information in this article is intended only to provide a general overview and has not been prepared with a view to any particular situation or set of circumstances. It is not intended to be comprehensive nor does it constitute legal advice. While we attempt to ensure the information is current and accurate, we do not guarantee its currency and accuracy. You should seek legal or other professional advice before acting or relying on any of the information in this blog as it may not be appropriate for your individual circumstances.*

## **Family Office Services: Heir 'readiness' key to successful Family Wealth Transfer**

by Craig Barry, Accountant and Business Advisor

Establishing a Family wealth charter will determine the Family Office services required for achieving wealthy family group objectives. It is the first, and most important step in successful family wealth transfer.

Equally important is heir 'readiness'.

Given 70% of intergenerational wealth transfers fail<sup>1</sup>, getting the family ground rules right usually involves ironing out any issues that may exist with and between family members. Matters of trust and fairness rank highly as common bones of contention and must be addressed in Family Office strategies for growing, protecting and ultimately transferring family wealth to following generations.

\$3.5 trillion in family money is currently in the process of being transferred to Generation-X and their Millennial offspring. It's for this reason Family Office services have never been more important.

However, the type of services necessary for each wealthy family group can only be determined following a process that examines all aspects of the family, in particular the dynamics and relationships between family members, along with understanding everyone's goals and expectations.

Advising wealthy families and establishing the Family Office services they need, requires a delicate touch when addressing difficult matters affecting the personal lives of family members, while a firm hand when forming strategies that reflect the family's enduring charter and achieve continuous intergenerational wealth transfer.

The fact is, most families have skeletons in the cupboard and when considerable wealth and reputations are at stake, family leaders need to know what they're dealing with and accommodate it in their strategic planning.

Shoring up the family's future means there can be no sugarcoating on significant issues (these might include criminal behaviours, gambling and debt, separation and divorce, ill health, mental health and premature death) as all have potential to derail achievement of family wealth objectives.

As a Family Office professional advising wealthy multi-family groups, my role includes but extends well beyond accountancy, tax management and business advice.

I am a mentor, extractor of information (from all parts of the family group) and a collaborator working alongside other highly skilled professionals whose expertise is integral to achieving family wealth goals.

In my experience, the absence of clear communication is the key cause of family wealth transfer failure. Even when it's unintentional, lack of, or miscommunication creates fairness and trust issues along with uncertainty.

For many wealthy family groups, it's often a case of Mum and Dad building an empire and because they've managed everything themselves, they simply didn't see the need or found it too difficult, to communicate their wealth details to their kids.

It's also common for one spouse in a partnership to have more involvement in the family business activities and greater wealth knowledge than the other. This can result in difficulty for the family when things change.

When the kids are growing up, they usually know their parents are wealthy, but often don't know the scale of the family's overall wealth.

However, as everyone gets older, family wealth responsibilities need to be shared and for the most basic of reasons: Mum and Dad won't be around forever.

Whether they live to a grand old age or are lost way too young, readiness to take control will be the difference between the family empire carrying on or collapsing.

Of course, family readiness doesn't just happen, and it is tightly tethered to establishing a Family Group Charter.

For wealthy families at the beginning of intergenerational wealth transfer planning, there's a structured process for establishing the facts about the family group and clarifying where it is now and how it is likely to evolve in future.

An initial meeting, usually with Mum and Dad, aims to explain the need and value of a family group charter, the process for establishing it and of course, identifying the individuals who make up the family group.

These family members or stakeholders are individually interviewed.

While we cover a lot of ground, fundamentally our aim is to expose what each family member knows or doesn't know about their family wealth, their individual strengths and weaknesses, willingness to be involved in future family group leadership, their own wealth and lifestyle goals and importantly - trustworthiness.

There are also anonymous interviews designed to reveal any family relationship issues or secrets that need further investigation.

Once all stakeholders are on board and family group leaders are identified, we facilitate a family meeting with an agenda based on our investigations and which underpins drafting a family charter. This must be considered by all family members, amended as required and ultimately agreed upon.

Matters relating to trust and fairness are also addressed along with solving the riddle of 'what happens next' when circumstances change.

Discussions are initiated relating to the pros and cons of family members working together, how different individuals may be involved and to what extent.

The benefits and consequences of financial, tax, commercial and legal outcomes of staying together and strategies for breaking everything a part if necessary, are also discussed.

The point is, as facilitators of wealthy Family Office services, we deal in facts rather than perceptions. Facts underpin their readiness, which is ultimately the key to smooth and successful wealth transfer.

With the family charter set, strategies agreed upon, Family Office services can then be curated.

Among them family wealth education, training and mentoring as this is crucial for enabling family members to take the reins when the wealth transfers to them.

As described in this document, each family group is different and effective family wealth management requires a bespoke multidisciplinary approach.

Actively managing family wealth across its many and diverse asset classes while understanding investment policies and approaches to philanthropy can be a demanding task for both family members and their advisers.

The key is to compile an 'advice team' that delivers Family Office services collaboratively.

Wealthy family groups need professionals from different disciplines who actively share their knowledge, experiences and perspectives. Similarly, advice team collaborators should proactively challenge common thinking and strive to make the most of the family group's wealth now and for perpetuity.

These are the hallmarks of an effective Family Office.

[1] The Williams Group Study 2019, [www.thewilliamsgroup.org](http://www.thewilliamsgroup.org)

## Contact

For more information and arrange a 20-minute discussion about Family Office services, please contact:

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