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The Family Office Is for High-Net-Worth Business

Wealthy Clients Need Help Managing Their Legacies

BY TIM VOORHEES

Insurance producers face an explosion in the number of new opportunities to serve clients. One of the biggest opportunities is to become a wealth advisor offering an array of services to help wealthy individuals develop optimized plans.

You can do this by providing valuable services to certified public accountants, lawyers and other professionals in your community. You will generate more referrals, offer more complete planning solutions and build a more fulfilling career for yourself.

More than 8 million families in North America are estimated to have a seven-figure net worth. More than 10 percent of these families have estates valued at more than \$10 million, and approximately 1 percent have accumulated more than \$100 million.

These wealthy people control much of the \$41 trillion to \$136 trillion of wealth that will transfer to family and charitable beneficiaries over the next 30 years. The government plans to tax a great percentage of this wealth transfer unless advisors implement plans to reduce or eliminate the taxes.

Affluent individuals need help from capable tax and financial advisors who can facilitate the transfer of ownership and cash flow rights while also equipping the next generation to manage and control transferred assets. Affluent individuals typically turn to certified public accountants, charitable development officers (CDOs) and attorneys for help with tax reduction. These advisors can serve clients with less than \$10 million

of assets; but the decimillionaires often prefer to work through a multifamily office or MFO, which you can set up.

Many people pay too much in taxes because they have not taken the time to establish appropriate trusts and business structures. The failure to create these entities is typically rooted in a lack of clarity about the purpose of these entities. Beneath this ambiguity is lack of clarity about the purpose of wealth and, at the deepest level, about how a client

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wants to use wealth to achieve financial independence and then make the maximum contribution to family and favorite charities. In short, what starts as a conversation about taxes very often goes deep into discussions about spiritual and emotional commitments to relationships and ideas that most inspire the client.

Clients typically say, "Charity begins at home." But as they learn they can give away money without reducing retirement income or transfers to children,

clients often find new freedom and joy in the funding of favorite causes. Advisors can build a successful business with literally hundreds of high-net-worth clients who have been referred by lawyers, CPAs, CDOs and MFOs. Here is a five-part model for how to structure such a business.

One-Stop Family Office Services

Most clients need help choosing which of more than 200 financial services will best help them achieve their goals. A family office should provide all necessary resources through a one-stop planning process. Many MFOs operate as a registered investment advisor while maintaining close affiliations with CPA and law firms. Insurance and investment professionals fund trusts and business entities. Each client is served by an advisory team that appoints one advisor to act as a wealth counselor and wealth coach who coordinates all the other advisory team members. The advisor in the coach role must work as a fee-based fiduciary to maximize client trust and help ensure objectivity.

Zero-Tax Planning

Family office staff members need expertise with zeroing out unnecessary transfer taxes while reducing capital gains, income and alternative minimum taxes. Family offices should provide reports to show clients how to reduce taxes while increasing what is available for family needs, retirement security and favorite charities. Whereas most CPAs are comfortable promoting retirement plans, few

know how to illustrate the use of insurance in IRA leverage and pension rescue programs. CPAs know how to reduce taxes with standard business expenses, but few know how to integrate captive insurance programs into tax planning and risk-management programs.

Vision Funding

Most people, especially those over age 55, are actively thinking about legacy and “casting a shadow beyond the grave.” These clients are looking for the most tax-efficient way to help their spouse, their children and their charities realize a compelling vision. The family office should create and update simple bar charts illustrating how tax savings can fund a vision for providing more resources to family and charity.

Wealth Counseling

Parents appreciate the wisdom of passing on their values to their heirs before

they pass on the value of what they own. This requires that the family office unite the father and mother around a shared vision for passing ownership, management and control responsibilities to heirs. Studies show that four out of every five heirs of wealthy families will not manage their inheritance wisely, so a family office should provide access to wealth counselors who can help heirs beat the odds. Wealth counselors use proven techniques to help clients resolve conflicts and unite family members around a shared vision for using wealth to leave a lasting legacy.

Wealth Blueprinting

A typical client wants to work with advisors who can integrate any of more than 300 financial tools to achieve a broad array of personal goals. Ideally, the solutions should be summarized on a one-page flow chart with all

necessary supporting calculations and explanations. Advisors must have a way to update the flow chart in response to changing tax laws, goals, asset values or cash flows. The planning process should recommend the optimal mix of planning tools, identify the best assets to fund each planning tool, and summarize all planning recommendations on one flow chart that describes how the blueprint will support a family’s vision. [INN](#)

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