



COLLABORATION FOR THE ADVANCED PLANNING MARKET

# BEST PRACTICES

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## TRENDSETTERS

**JAY ADKISSON**

on Captive Insurance

**GARRY MARTIN**

on Managing Real Estate Wealth

## Tim Voorhees

**FAMILY OFFICES  
SET THE STANDARD  
IN THE WEALTH  
PLANNING INDUSTRY**

## Charitable Design

**FINANCIAL ADVISOR  
RAO GARUDA HELPS  
STRENGTHEN WEALTH  
AND COMMUNITIES**

## Q&A

**WITH HANK GEORGE**

**Underwriting Trends  
to Watch for in  
the Coming Years**

# A Family Affair

FAMILY OFFICES CREATE OPPORTUNITIES IN THE WEALTH PLANNING INDUSTRY FOR ADVISORS AND FAMILIES

By Andrea Siedsma



TIM VORHEES

In 1999, respected futurist and Fortune 500 board member Walter Wriston stated that during the next 20 years, the fastest growing businesses will teach wealthy people how to give their money away intelligently. "The millions of new millionaires don't have that skill," he said. "And so, to promote prudent wealth transfers, there'll be this enormous industry created."

Since Wriston made his predictions, the number of millionaires has mushroomed. Experts estimate that there are now more than eight million families in North America who 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.

Financial advisors now have unprecedented opportunities to serve more than 800,000 deci-millionaires and more than 80,000 centi-millionaires. These wealthy people control a large portion of the \$41 to \$136 trillion dollars that will transfer to family and charitable beneficiaries over the next 30 years. The government plans to tax up to 50 percent of this wealth transfer unless advisors unite to develop and implement plans to reduce or eliminate the taxes.

Growing numbers of 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. The most successful financial advisors typically band together into family offices. Whereas a traditional financial planner can serve clients with under \$10 million in assets, the deci-millionaires often prefer to work through a multi-family office or MFO. These MFOs empower a team of advisors who can coordinate the legal and financial tools needed to help an affluent family realize its goals and mission.

Tim Voorhees of Family Office Services, Inc. in Irvine, California has spent nearly 30 years developing best practices to serve wealthy clients most effectively. Voorhees is a lawyer with an MBA and began serving high net-worth clients soon after he earned his securities licenses in 1978. His passion to help people minimize taxes led him to specialize in tax efficient investments early in his career and then later practice as a tax attorney. He has learned that most 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 such entities," says Voorhees. "Beneath this ambiguity

is lack of clarity about the purpose of wealth and at the deepest level, about how a client wants to use wealth to achieve financial independence and then make the maximum contribution to family and favorite charities." Therefore, Voorhees says, what starts as a conversation about taxes very often becomes a deep discussion about spiritual and emotional commitments to relationships and ideas that most inspire the client.

Voorhees can recount many stories of clients who came to him for tax advice and as they pondered the best ways to use their tax savings, became newly inspired to unite their family members, business associates or favorite charities around a new vision. "Clients typically come to me with little charitable intent, but when they see how I can help them give away tax money without reducing retirement income or transfers to children, they tend to find a new freedom and joy when funding their favorite causes," says Voorhees. Time and time again, he has pulled out the Kleenex box as clients get choked up about how the wealth planning process reunites family members and leads to engaging discussions about new possibilities.

Voorhees has developed successful relationships with hundreds of high net-worth clients who come to him for tax advice and for help with clarifying the spiritual and emotional values that they want to encourage in the next generation. Although Voorhees' clients ask for a broad array of services, he has developed his business model around five common needs expressed by clients and staff of family offices. Voorhees' Registered Investment Advisory firm (Family Office Services, Inc.) and his affiliated law firm (Million Voorhees LLP) focus on providing these five services:

**ONE-STOP FAMILY OFFICE SERVICES** A family office should provide all necessary resources through a one-stop planning process. Family Office Services operates as a Registered Investment Advisor while maintaining close affiliations with CPA and law firms. The investment advisor, CPA and lawyer bring in appropriate insurance and investment professionals to fund trusts and business entities. Each client is served by an advisory team with one appointed advisor to act as a wealth counselor and coach who coordinates all of the other advisory team members.

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**ZERO-TAX PLANNING** Family office staff members need expertise with zeroing-out unnecessary transfer taxes while reducing capital gains, income and AMT taxes. Family offices should provide reports

**WITHIN FAMILY OFFICE SERVICES, INC., VOORHEES AND A TEAM OF FINANCIAL ADVISORS, CPAs AND LAWYERS COLLABORATE TO FORM A ONE-STOP SHOP FOR WEALTH MANAGEMENT**

to show clients how to reduce taxes while increasing what is available for family needs, retirement security and favorite charities.

**VISION FUNDING** Most people, especially those over age 55, are actively thinking about legacy and “casting a shadow beyond the grave,” according to Voorhees. These clients are looking for the most tax-efficient way to help their spouse, children and charities. A family office staff should be able to quantify wealth available to help others after clients have provided for their own retirement security. 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 the family office to unite the parents around a shared vision for passing ownership, management and control responsibilities to heirs. Although studies show that four out of every five heirs of wealthy families will not manage their inheritance wisely,

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. The best wealth counselors create ethical wills or family wealth statements that guide family members when attending family meetings or making decisions about how to use inherited wealth.

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**WEALTH BLUEPRINTING** A typical client wants to work with advisors who can integrate any of over 300 financial tools to achieve a broad array of personal goals. Funding and administering these tools requires millions of decisions. The 21st century advisor must know how to address all of these issues when developing an effective plan. Ideally, the solutions will 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. Planning techniques should

be integrated into a blueprint that provides clear solutions to financial planning, investment management, tax planning, tax preparation, insurance, estate planning and charitable giving issues. 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: the blueprint, supported by fully integrated annual cash flow numbers and accurate projections of increased wealth available for funding a family's vision.

According to respected industry consultant Mark Hurley, firms that provide comprehensive financial solutions will be dominant competitors in the future. Although attorneys, CPAs, money managers, insurance agents and traditional financial planners often compete to be the most respected advisor in the high net-worth market, very few of these advisors have the tools, experience and resources to provide high net-worth clients with convenient one-stop-shopping access to comprehensive planning resources.

In order to take the pulse of the high net-worth market and offer the most needed services, Voorhees actively seeks wisdom from leading industry experts while speaking at a variety of family office and tax planning conferences around the country. “Through these experiences, I have developed strong convictions about how advisors can compete successfully in the high net-worth market and take advantage of the tremendous opportunities for 21st century advisors,” says Voorhees. He recognizes that the most successful advisors establish dominant niches in their communities and take full advantage of the unprecedented opportunities in the wealth planning industry by forming alliances to provide comprehensive advanced planning tools and services.

**BPA CONTACT**

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