

A SHIFTING FAMILY FOCUS ON INVESTMENTS

MARK OSMENT, HEAD OF FINANCIAL INTERMEDIARIES, DEUTSCHE BANK CHANNEL ISLANDS DISCUSSES THE COMPLEXITIES OF FAMILY OFFICES.

The family is a complicated entity and planning and managing the wealth of a family can be just as complex.

Research suggests that wealthy families globally are taking an increasingly sophisticated and international approach and, with the average family office having total assets of \$890 million (Global Family Office Report 2014), the implications for professionals supporting the family office sector are significant.

Family offices and advisors need to adapt as the families they support are demanding increasingly complex guidance to help them steer a safe path. The focus remains on minimising risk and ensuring secure and appropriate structuring of assets, but there is also a shifting attitude towards investment.

This phenomenon is beginning to have an impact in the Channel Islands, where over the past few years there has been a steady climb in the number of single and multi-family offices, and advisers to wealthy families, attracted by a mature private client



MARK OSMENT

landscape, proportionate approach to regulation, strong rule of law, and political and economic stability.

Complexity

The make-up of the modern family is, of course, vastly different now to what it was ten years ago. A family's business today is unique, truly international, with different generations typically living in multiple jurisdictions. As a result a family office needs to be highly flexible.

At the same time, the priorities of families are changing. Driving social impact has become a higher priority for wealthy families, for example, whilst there is also greater sensitivity towards regulation and compliance, which all adds up to a great deal more responsibility for the professionals employed by a family office.

What is clear is that family office business is being increasingly driven by a need for specific expertise and knowledge. As a consequence, family offices are drawing increasingly on the international reach and breadth of services of an organisation like Deutsche Bank.

In addition, an offshore solution such as the Channel Islands that understands the specific needs of families and that is used to handling cross-border transactions is proving more attractive than some traditional onshore family office locations.

Investment

In the Channel Islands, family offices are increasingly tapping into Deutsche Bank's Group-wide specialist expertise, which extends to all areas of asset management, global custody and access to Deutsche Bank's Corporate Finance Partnership (CFP) in London. The CFP brings together the Bank's wealth management and investment divisions in a way that other banking organisations don't.

There is undoubtedly now a growing desire for families to explore investment options that fit with their bespoke strategies. For that reason, earlier this year, Reginald Mills, Managing Director of Deutsche Bank's CFP, visited Jersey to address an audience of family office professionals. He highlighted that increased levels of sophistication, entrepreneurial wealth and industry affiliation were amongst the key drivers of a greater appetite for investment within families.

He also emphasised that his team were seeing real traction in bringing a wide range of investment opportunities to the local family office market, which is becoming increasingly institutional in behaviour, thinking longer-term and approaching investments with greater rigour and discipline.

For instance, an entrepreneurial family may have liquid assets following the sale of their business and be looking for specific opportunities. Equally, the Bank's CFP has also been able to bring together like-minded families for joint investment opportunities. Overall, families are undoubtedly considering direct investment more, but success requires a disciplined approach that values simplicity.

The good work of the promotional bodies in the Channel Islands in encouraging family offices to establish a base in Jersey or Guernsey means that the islands have positioned themselves strongly as credible business centres for family office work. Now the focus must be on ensuring those family offices have access, through organisations like Deutsche Bank, to the sophisticated understanding and market access they need to take their global investment strategies to the next level.