



WHAT WEALTHY FAMILIES WANT



**ARE THE FOUR NOBLE PROFESSIONS UP
TO THE CHALLENGES POSED BY
DISRUPTIVE CHANGE AND DEDICATED
TO THE SERVICE OF THE WEALTHY?**

**LA JOLLA ESTATE PLANNING, TRUST AND PROBATE SECTION
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WHO AM I?



- Richard Muscio CPA
- “The Family Office Guy”
- 858-967-6335
- rjm@fabcpas.com
- www.iymoney.com

THE CHALLENGE



- **There exists a “New Reality” for those who desire to serve wealthy families, because these families exist in a world of rapid and disruptive change. Will the four Noble Professions be able to contribute significantly in this “new world order?”**

FIRST: LET'S FOLLOW THE MONEY



- Global liquidity does not exist
- US: liquidity back to work in domestic economy
- EURO: liquidity pushed back onto central bank, not working in its domestic economy
- JAPAN: liquidity increasing...but where will it end up?
- CHANGE: HNWF exist in a global economy

NEXT: LET'S DO SOME HOUSEKEEPING



- 90 % of living trusts are now inconsistent with family's goals post ATRA 2012
- 90 % of life insurance is now inconsistent with family's goals post ATRA 2012
- Significant wealth transfer was done when exemption equivalent was \$ 600k, \$ 1.0 m, etc. that is now inconsistent with family's goals post ATRA 2012
- CHANGE: there will be none (re \$ 5.12m)

WHERE THE MONEY IS WINDING UP



- Shift away from traditional asset classes to private equity funds during/post “lost decade”
- But long lock-ups, no flexibility, passive
- “Proprietary deal flow” was a myth (aka lie)
- 2/20 causes GP and LP misalignment
- Thus shift to direct private equity aka “building a business”
- Benefits: flexibility, control, intellectual

BUT WHAT ARE THE RISKS?



- **TIME...I SAID TIME**
- Thus not only is capital required, but so is focus, patience, mentorship, leadership, and benchmarking
- Advisors will not get on board because new skills required: investment banking, risk assessment/mitigation, benchmarking including non-financial, valuation
- **CHANGE:** new skills, new metrics required

AND WHAT ABOUT PHILANTHROPY?



- Use of Social Benefit Corporations
- Use of direct Private Equity as a mentorship and educational tool
- Direct participation in community causes...not just writing checks
- Evolution of Family Governance
- CHANGE: 2nd/3rd Gen “professional” philanthropists

DEMOGRAPHICS



- Only 200,000 US households with investable assets + \$ 10 million
- At most 1,000,000 US households with net worth + \$ 10 million (maybe only 600,000)
- CHANGE: so there are now more “estate planners” in the USA than there are families who need estate planning, especially when you consider only a certain % of families will ever plan
- CHANGE: changing demographics will put many planners out of business when 2nd/3rd Gen’s make changes (by 2030: 25/50/25)

WEALTH COMES FROM DOING WHAT?



- **TAKING RISK** (almost always concentrated)
- Understanding relationship of time/risk
- **CHANGE**: so either you are contributing to it (“benefit”) or you are not (“cost”)...this can be a differentiator as well as your succession plan
- **Leverage**: capital, relationships, knowledge
- **RISK** is the multiple
- Relationships are the glue
- **CHANGE**: “Wealth” is more than just \$\$\$\$\$\$

SO IF I AM SELLING BELOW AND DON'T LIKE CHANGE WHAT CAN I DO?



- Tax returns
- Financial statements
- Hourly billing
- Basic estate planning doc's, basic asset protection
- Low/no return liquidity
- Low/mid returns in basic way with basic (AUM) compensation
- Basic life insurance
- CHANGE: don't...except for...

CHANGE THIS...



- **Les Brown:** you will be the same person in 5 years as you are today except for the people you meet and the books you read
- **CHANGE:** align yourself with “The Firm of the Future” / “The Most Trusted Advisor”
- **PRECEDENT CHANGE:** spending way more time in front of your best customers

QUOTES



- **Stability and balance are for tires and ballerinas not for business leaders (me)**
- **The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn and relearn (Toffler)**
- **In order to try something new, you must stop doing something old (Baker)**

QUOTES CONTINUED



- No person was ever honored for what he received. Honor has been the reward for what he gave. (Coolidge)
- Wealth is above all an accumulation of possibilities (Gabriel Zaid)
- In the end, you will only be remembered for what you left behind for your community (me)
- So then if not me, then who? If not us, then who? (me)

SO WHERE TO START ANEW?



- **Ascertaining cost basis and FMV of all assets begins the discussion of allocation, risk/return/time, insurance, philanthropy, legacy**
- **Family alignment efforts then follow**
- **CHANGE: Advisor alignment then follows (input inclusion, egos left at the door, concierge facilitates, “what is best for family”)**
- **Goal of Family Governance: all members THRIVE**

SO MUSCIO WOULD YOU GET TO THE POINT PLEASE ??!!??!!



- **WEALTHY FAMILIES WANT 3 THINGS:**
- **COHERENCE:** an orderly, logical and aesthetically consistent relation of parts (aka “sticking together”)
- **ACCRETION:** growth by measurable addition, fusion, and/or inclusion (biological use: adherence of parts that are typically separate)
- **FACE-TO-FACE TIME** with their key advisors

Questions?



I am here to serve!

Thank you!

Richard Muscio is...

The Family Office Guy