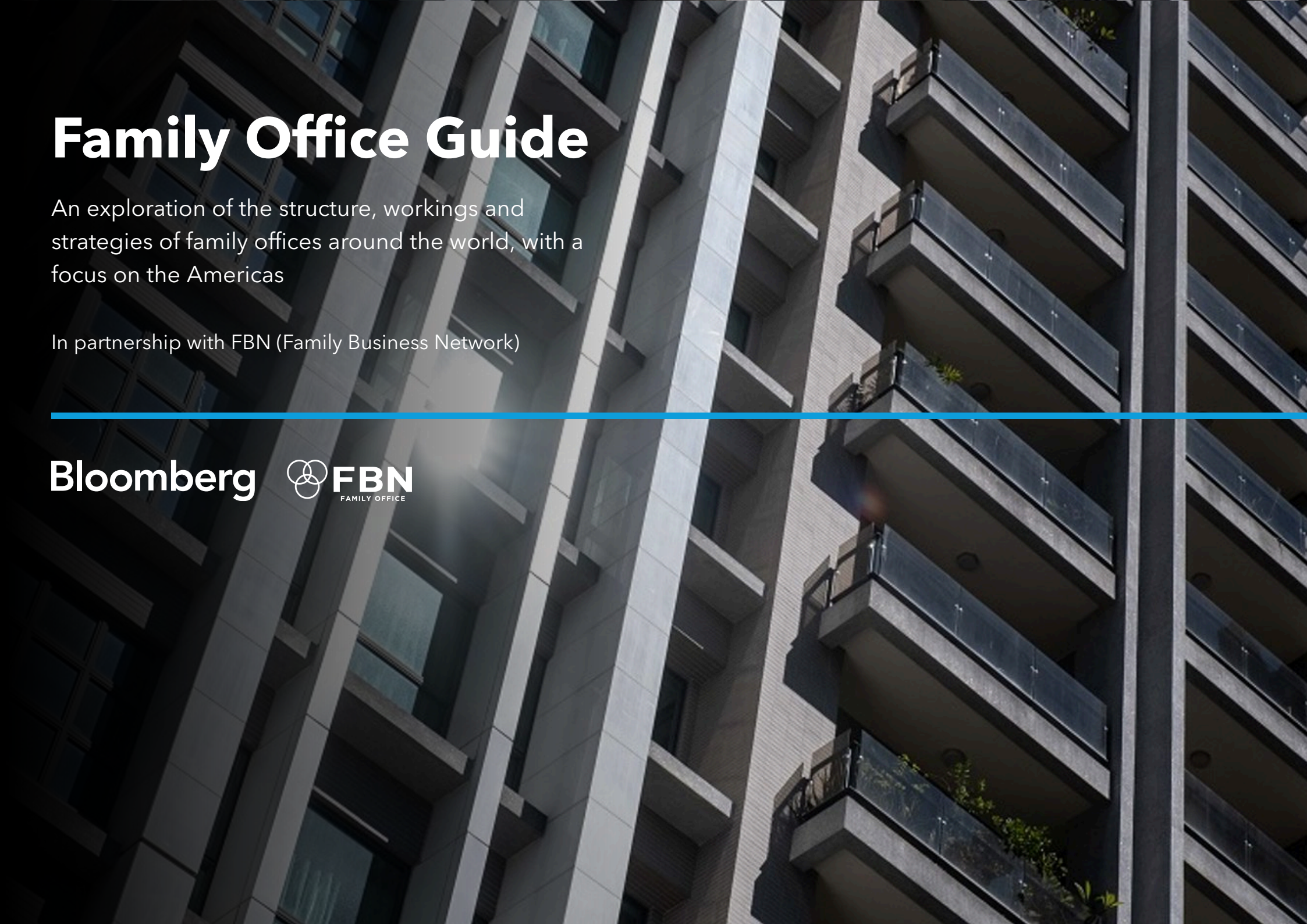

Family Office Guide

An exploration of the structure, workings and strategies of family offices around the world, with a focus on the Americas

In partnership with FBN (Family Business Network)

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FAMILY OFFICE

Introduction

Welcome to the 2024 Family Office Guide

Following on from the success of the first Family Office Guide, which was published in 2021, Bloomberg has again collaborated with FBN (Family Business Network) to create an insightful, portrait-style guide to family offices.

Family offices are entities set up to manage the assets of ultra-high-net-worth individuals and their families.

Usually safeguarding assets of US$200 million+, family offices are often formed when a well-established family business is sold or has a liquidation event, or when a family wishes to restructure its approach to its wealth with the aim of managing and growing the resulting assets in an organized, effective, and regulated way. In this context, families aim at organizing their "Total Capital Management", including legacy, financial, human and social capital.

Family offices are either single family offices that manage the assets of one family, or multi-family offices that manage the assets of several or many families, or the branches of a big family with multiple offices under the one roof.

There are thousands of family offices around the world. In the United States alone, there are an estimated 7300+ family offices. Elsewhere, family offices in Singapore grew five-fold between 2017 and 2019, to more than 1,400 today.

This report draws on in-depth interviews with five diverse family offices from Canada, Chile, the United States and Venezuela.

Each office's origin story, visions and goals and structure for governance and operations are distinct. All were established to protect family wealth generated through business activities for current and future generations. Some were founded some decades ago and are being evolved by later generations, others have a more recent genesis.

Well-established family offices are now being overseen by the third, fourth or even fifth generation of a family, particularly in Europe and the US. Others, more often those in Singapore, Hong Kong and China are younger and typically involve the first or second generation of a family.

Just as no two families are the same, nor are any two of the family offices we spoke to the same. Some are headed and run by the family, others are staffed by professional investment managers and financial advisers, while others outsource key roles or functions. Some prioritize liquidity;

others focus on philanthropy; yet others focus on growing their investment portfolios to complement existing businesses.

What they have in common is a desire to protect and retain their family legacy and wealth in honor of the hard work of previous generations, and so that future generations may thrive and experience continued prosperity.

Insights are presented in seven sections:

Designing & establishing a family office

What type of family office is right for your family, and when is the right time to establish one?

Building an effective team

The importance of having the right people in the right roles in your family office.

Managing & overseeing assets & investments

Different approaches to managing and growing wealth.

Protecting the family legacy

Doing the groundwork to ensure your family office continues to thrive.

Getting the technology right

Identifying the most relevant and appropriate systems and sources for information, data analyses and protection.

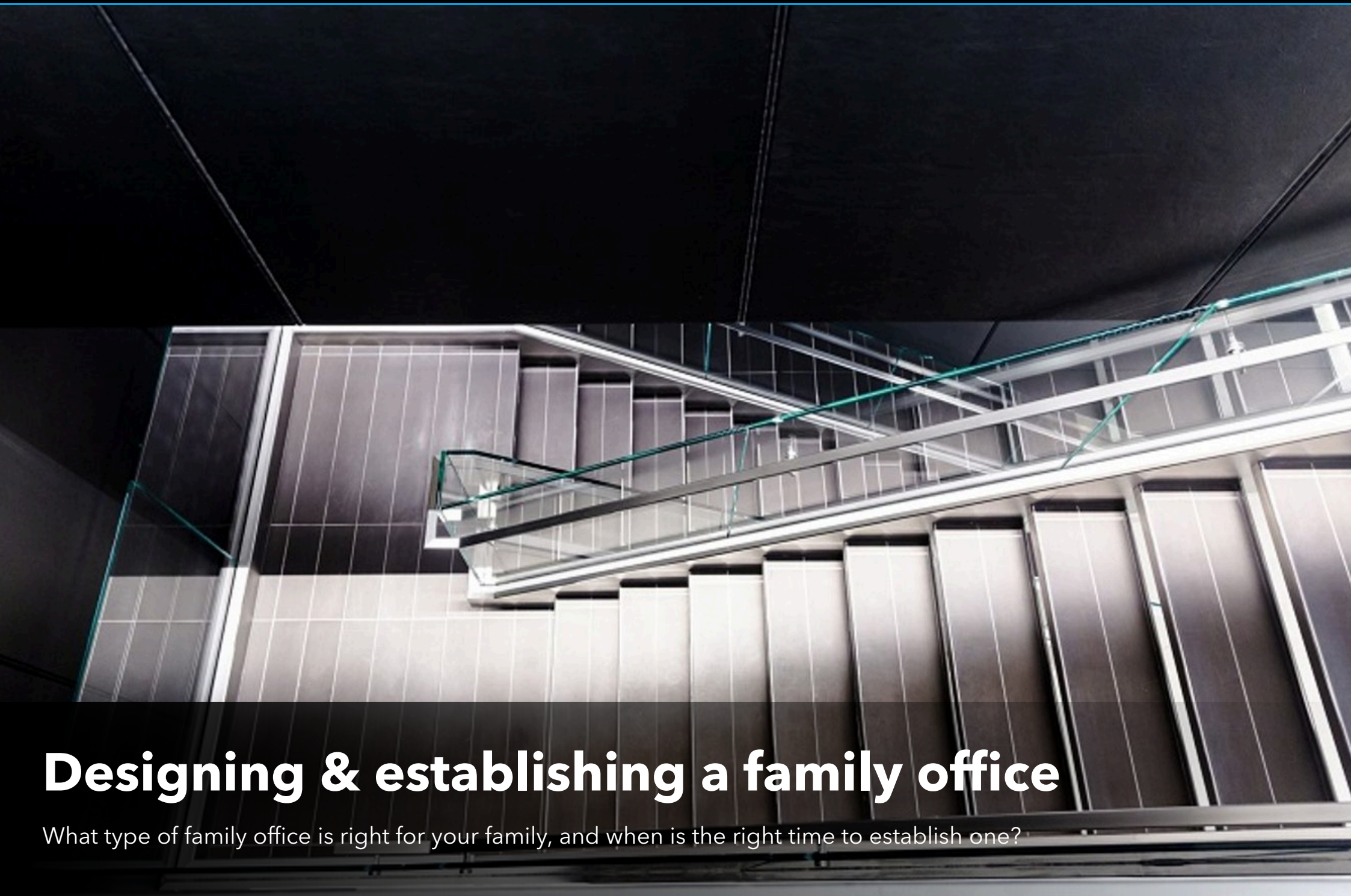
Locating your office

Choosing where to locate your family office and making the most of its offerings.

Planning for the future

The importance of making way for the next generation.

To request more information about Bloomberg for Family Offices, click here.



Designing & establishing a family office

What type of family office is right for your family, and when is the right time to establish one?

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What type of family office is right for your family, and when is the right time to establish one?

Just like a regular business, company or corporation, a family office needs a robust and transparent structure with clearly defined rules and processes for governance and decision making to run smoothly and fulfil its core function of protecting and growing a family's wealth. This is true of single and multi-family offices, which, depending on location, can be subject to external regulation. This is especially the case for multi-family offices, which arguably attract more stringent regulatory interest as they are managing external wealth alongside their own. That said, a family has a fair amount of autonomy when it comes to structuring its office, and we observe some variation in the five offices we interviewed.

The Maldonados established their family office, Grupo Económico Maldonado (GEM, or Maldonado Economic Group) in 1995. It served a key strategic role in the family's migration from their home country of Venezuela to the United States.

First, the family carefully researched where it wanted to base itself and engaged one of Latin America's top private equity and advisory firms.

"To implement the consultancy's findings, we realized that we needed a structure to organize the assets that we had and to give us some executing capacity. During our transition our family office was our business," says third-generation family member and Family Council Chair, Alexander Degwitz.

GEM comprises five branches of the Maldonado family, founded by the five second-generation children of wealth creator Iván Darío Maldonado. The family's wealth originates in cattle and is now focused on three key areas: juices and dairy products, sustainable cattle and buffalo for organic milk and meat production, and real estate.

Comprising the five family branches under the overarching office's umbrella, GEM currently has over 40 beneficiaries. A family council with a chair for each branch oversees decision making. Structured like a trust, GEM's operations are based on four committees: audit; investment; education and foundation; nomination and compensation. The business side of GEM has a Board of Directors accountable for our ongoing concerns, whose members are selected by the family council with the support from the family office.

When Patricia Saputo began laying the foundations for the Saputo's family office, Placements Italcan Inc, in the late 1990s, she didn't realize there was a term for what she was putting into place.

"I first heard the term 'family office' in 2005 or 2006. There weren't very many, or even any formal family offices across Canada, so by default, we're one of the pioneers in Canada's family office space," says third-generation family member Patricia Saputo, CEO of Placements Italcan Inc, who describes this period in the office's history as version 2.0.

Patricia is the daughter of Francesco Saputo, who migrated to Canada from Sicily with his father in 1950, followed by his mother and siblings in 1952. Francesco learned the art of cheesemaking from his mother's family and co-founded the hugely successful Saputo cheese manufacturing company in Montreal. Some 40 years later, as Patricia applied the skills in tax accountancy and company management that she'd honed at companies like Deloitte to helping her father manage and protect his fortune, she learned that was what she was doing: setting up a family office.

"Version 1.0 started in 1980, when my father created the investment holding company. I came in as a tax accountant in 1998 and created an informal decision-making capacity between my parents and myself as version 2.0," explains Saputo.

Now the family is in version 3.0, where, with her parents blessing, Saputo and her four sisters are in the process of determining a formal governance structure, and how to involve the next generation, so that they can evolve to version 4.0 – the professional version of the Saputo Family Office.

The Fortmuller family founded the Fortmuller Family Office (now the Vesta Family Office) in Calgary, Canada in 2008 to create a governance structure for the fourth and fifth generation's stewardship of the family wealth.

The Fortmullers are members of Germany's Bahlsen family, whose wealth creator, Hermann Bahlsen, founded the renowned baked goods business, Bahlsen (then Hannoversche Cakesfabrik H. Bahlsen), in 1889.

Almost 110 years and a different continent later, fourth-generation descendant Dagmar Fortmuller (nee Bahlsen), migrated to Canada and took advantage of a liquidity event. This, along with a desire to empower the next generation to responsibly manage the family wealth, motivated her to establish the family office.

Today Dagmar and her three eldest children, including President, Max Fortmuller, are trustees. In 2011, the office made its first intergenerational wealth transfer to all of Dagmar's lineal descendants.

In the beginning, the office was managed by a third-party administrator. Since 2018, Fortmuller, a former professional bull rider, has been at the helm. All fifth-generation siblings are involved as owners, but Fortmuller is the driving force.

Over its 15 years in operation, the Vesta Family Office has firmed up and begun to formalize its governance structure. It has formal vision and mission statements (which it reviews from time to time), but no formal constitution – yet. Formalizing one is a goal in the next few years.

In 2019, Fortmuller spearheaded the purchase of an existing multifamily office by Vesta Family Office, which he has transitioned into a successful investment firm, Vesta Wealth Partners.

The Huillinco Family Office was founded in 2012 following the decision of three siblings to buy the shares of their other four siblings in Derco, one of Latin America's leading vehicle import companies.

The family wealth was created by José Luis Del Río, a multifaceted entrepreneur focused on construction, home improvement products, and automobile importation. He founded Derco in the 1960s.

Today, the Del Río family holds shares in Inchcape, which merged with Derco in 2023. Additionally, the family has successfully ventured into other industries, establishing an insurance and annuity management company, a commercial rental enterprise, and several high-value agricultural businesses. They are an active family with business interests in banking, private equity, private debt, insurance, annuities, real estate development, retail, and a diverse investment portfolio.

Felipe Del Río, together with his son Andrés, a third-generation family member, founded the family office in 2012. Del Río (Andrés) currently serves as director and manager of new business development. Their family office is one of three within a multi-family office that encompasses related branches of the family, all descendants of the original wealth creator.

The Huillinco Family Office is part of the Dercorp holding, shared with Felipe"s siblings. They have integrated the third generation into the decision-making process within the holding's board of directors. As a group, they are constantly seeking new growth and development opportunities, aiming to contribute to the progress of Chile and Latin America.

The Vermeer Family Office was established in 2014, and is embedded in the Vermeer Corporation, of which many second and third-generation family members are shareholders.

Established in 1948, the Vermeer Corporation is a global leader in the design, manufacture and support of high-quality industrial and agricultural equipment. Nearly 90 per cent of the 80 Vermeer family members are shareholders.

"The family office was a means of creating a governance structure to enable the third generation to step into leadership and take over from the second generation," explains nonfamily member and Senior Family Office Manager Aaron Smith, who has been in his role since November 2022.

From 2012 to 2014 the family group had numerous conversations and worked with

consultants guiding them through a formalized constitution. There's a formal shareholder pledge, and shareholder expectations.

An Ownership Council and Board of Directors govern the Vermeer Corporation. The Ownership Council comprises the different family lines, which have representation based on their ownership percentages. It meets quarterly. Then there's an Education Committee and a Governance Committee.

"The Education Committee is largely concerned with educating the fourth generation about the operating business," says Smith. "The Governance Committee dictates policies, and all other family related policies that both the company and the family group agree to."

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Building an effective team

The importance of having the right people in the right roles in your family office

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Family offices are usually formed following years of successful business operations, where having highly skilled, balanced and diverse teams is key. It therefore comes as no surprise to learn that the family offices we spoke to all prioritized finding the right personnel to safeguard their wealth and ensure compliance early on. For some this means recruiting industry leaders into senior roles, for others it's about identifying external subject area specialists to onboard or engage as needed. Then there's the challenge of including family members – or not – with a clear set of parameters for governing involvement.

Huillinco Family Office Director, Andrés Del Río, has found involving and employing trusted external people helps mitigate the intensity of the family dynamic.

The Del Río family is large, with all second and third-generation members spread across three lines of descent from the original wealth creator, José Luis Del Río. There are three individual family offices founded by second-generation members, which are integrated into a larger multi-family office.

From the beginning, external individuals, both employees and consultants, have been involved.

"The holding transferred an accountant to me, and I hired an analyst immediately. That's how we started the office. We have separate offices in the same building, but our family holds many joint meetings because most of our major investments are co-investments," says Del Río, who established the office in 2012.

Del Río anticipates that the office will reduce the number of directors on various boards and committees to five: three external people and two family members. Additionally, its focus will shift from generalization to specialization. This will help streamline operations, reduce the number of meetings, facilitate decision-making, and create value.

The office currently employs approximately 20 external individuals, including the CEO, some board members, an accounting team, and analysts. Other key functions, particularly investment advice, are supported by the holding, with assistance from trusted and highly reputable external consultants and firms.

A suite of policies and procedures governs family involvement and employment at the Vermeer Family Office, where merit, not birthright, take priority.

“When the Vermeer Family Office was established in 2014, it was embedded within the Vermeer Corporation. That's to save time and resources. So, I am a full-time employee of the corporation,” explains Senior Family Office Manager Aaron Smith.

“For all intents and purposes, we are a separate entity in the family office. But the family intends to hold the business perpetually, so that was an easy decision for them to make when setting it up 10 years ago.”

Smith is one of five employees in the Vermeer Family Office, each with a "carved out" role and specific area of focus, such as the Vermeer Charitable Foundation, acting as a concierge for senior family members, educational initiatives, committee management and relationship management.

A set of very specific rules and policies govern the office and corporation, including a family employment policy that stipulates there will not be any preferential treatment of family members. These are overseen by a Governance Committee and reviewed every two years.

Vesta Family Office President and Vesta Wealth Partners CEO Max Fortmuller believes relationships built on genuine friendship and trust are important in a family office environment.

In 2017, when fifth generation family member Max Fortmuller was looking for a place to continue working from and for the family while also improving their investment portfolio, he led Vesta Family Office’s purchase of a multifamily office and set about transforming it into Vesta Wealth Partners. He also wanted to enhance his personal career objectives with practical learning and growth.

The multifamily office’s existing CIO took Fortmuller under his wing and remains on today as Vesta Wealth Partner’s CIO, and one of its most trusted advisors.

"I"ve been around long enough to know that you need more than just professional designation in the people you choose to place around you. This person is a genuinely good guy; he’s as sincere as they come," says Fortmuller.

"My family is technically a client of Vesta Wealth Partners, and we have lots of external clients too. For some of those clients I'm the relationship manager and for other clients my CIO keeps me involved to the point that it's needed. I trust him undoubtedly," says Fortmuller.

Vesta Wealth Partners employs approximately 18 employees. It has rebuilt its accounting team, is exploring a target operating model, and has made the decision to outsource its HR operations.

The Vesta Family Office has one full-time bookkeeper and utilizes staff from Vesta Wealth Partners as needed. Fortmuller also draws on a "huge amount" of advisors for direction and support, both within and outside of the family office community.

For decades now, the Saputo's family office, Placements Italcan Inc, has been managed by the third generation's middle daughter. But as the office moves into "version 3.0", it is starting to look outwards.

The office is taking a top-down approach to hiring, explains CEO Patricia Saputo.

"It's in my succession plan that I need to hire, because internally there isn't anybody in the family that can take over from me. In late 2022 I got the green light from my parents and we hired our first employee; our first hire is the new CIO-CFO."

Saputo is working on building two branches into the family office's operational and HR structure, with a total of five employees. There will be a financial accounting arm and an investment arm, with a senior and junior person in each team, who report up to the CIO-CFO and then herself as CEO.

As CEO, Saputo will report and answer to a Board of Directors, which is currently made up of herself and her parents but will eventually be made up of herself and her four sisters. There will also be a meritocracy-based investment committee.

"We are working on untangling the investment holding company that does the business of investing, with the family office being the service center that services not only the investments, but the needs of the family members and each of their branches".

A mixture of family and nonfamily members fill the key roles at the Grupo Económico Maldonado (GEM, or Maldonado Economic Group).

The Maldonado's family office was founded in 1997 and currently has 12 family members actively working in it. Family members started getting paid for their time in 2013.

"In 2013, we created a system that allowed family members to start getting paid for their effort for the first time. This was a big breakthrough, as we had been working without compensation for many years," says third-generation family member and Family Council Chair, Alexander Degwitz.

Degwitz says the family has made and learned from a lot of mistakes over the years. One of its key takeaways concerns the value of installing objectivity in a family business by employing or engaging respected professionals in family office key roles. Roles currently filled by nonfamily employees at GEM include office manager, asset manager, attorneys and accountants.

"You need to respect straight-up management practices in a family office, and to do this, you need to insert objectivity in the family dynamic. You can have a cousin tell you that your performance was subpar – and you'll take it in a very bad way. But you can have a respected professional give you the exact same message, and you will take it in a constructive way and make positive change."

Managing and overseeing assets and investments

Different approaches to managing and growing wealth

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Different approaches to managing and growing wealth.

How to safeguard, grow and best use the family's wealth is a family office's top priority. We found that the ways in which this is done vary greatly across location and family preference, with some choosing to manage all their assets internally, others engaging external wealth managers, and yet others drawing on both. Some have family members closely involved in decision-making; others employ trusted nonfamily people in key roles to drive investments. All the families we spoke to are in the hands of third or fourth generations and have made philanthropy a core part of what they do.

Today, Placements Italcan Inc is a shareholder in Saputo Inc, but the Francesco Saputo family is no longer involved in its operations. With $1 billion in AUM, the family's focus is now on investing.

Whereas many – even most – family offices begin as the investment arm of a family business, the Saputo Family Office (Placements Italcan Inc) came to investment independently, and built up slowly. With the blessing of her parents, for almost two decades, Patricia Saputo grew the family fortune by investing in stocks and bonds, before shifting its focus to private equity.

"Because of my wherewithal in accounting and tax, I started out by focusing on accounting and tax compliance, insurance, financial savings, tax returns, estate plans, and succession planning," says Saputo. "I didn't co-mingle the technology or the people with the family business (Saputo Inc), I started from scratch. I eventually expanded the investment portfolio because the publicly traded company (Saputo Inc) was paying quarterly dividends, and those dividends needed to be invested."

Saputo's investment decision-making is driven by human capital; being inspired by people who know their sector very well and can make a strong case for investment. This is the beginning of her due diligence on the opportunity before investing – mostly in the North American market.

Going forward, Placements Italcan Inc will devise a meritocracy-based investment committee of well-qualified, knowledgeable people that may include some family members, and some not, to guide its investments.

Investment decision making is managed by committee at the Miami-based Grupo Económico Maldonado (GEM, or Maldonado Economic Group) – the Maldonado's family office.

“Our Investment Committee is the most formal of our committees. It operates via quarterly meeting and has an investment policy statement. We also have an operating agreement, which guides the purpose of the Investment Committee and sets general guidelines on how to interpret the will of ownership, and our risk tolerance,” says third-generation family member Alexander Degwitz, who chairs GEM’s Family Council and Investment Committee.

The Investment Committee comprises three family members and two nonfamily members, including GEM’s asset manager and a former hedge fund manager.

“It's a semi-open forum where people can listen in; we try to be inclusive for all family members to learn in the process. It’s useful for the wider family to understand how we make decisions and what investments we're making. Often, they go on to invest in the same thing for the benefit of their own portfolios.”

GEM invests heavily in real estate and technology, and in what Degwitz describes as “atypical investments” in both Venezuela, and the United States.

“We have hard parameters like allocation of equity, fixed income and alternative investments, then we come up with investment opportunities, which we run by the Investment Committee. For example, we speculated with interest rate swaps when interest rates were around 3 per cent and ended up trading those out a couple years later with very good performance.”

The Huillinco Family Office manages a significant investment portfolio, which was bolstered by the merger and partial sale of Derco shares to Inchcape.

These assets are distributed across a diversified portfolio of liquid fixed income and equity assets. Eighty per cent of the office's portfolio is invested in liquid assets, including stocks, bonds, and structured notes. Most of its investments are in developed markets, primarily in the United States and Europe. The remaining 20 percent is invested in what the office's Director, Andrés Del Río, calls "alternative assets," which include private equity, private debt, and real estate.

"We take advice from external advisors, then a general investment committee with representatives from the three families, our holding company, and the investment advisor jointly decides how we allocate assets or implement new investment ideas," explains Del Río.

Del Río's direct family office is one of three within a multi-family office that encompasses related branches of the family, all descendants of the original wealth creator. Investment decision-making is conducted by committee, with each of the three family offices having its own internal investment committee that decides its final position, based on the recommendations of an overarching general investment committee.

There are also similarly structured committees for the interests of each family office, and areas

of assets and investments: asset allocation, alternative assets, and national and international economic outlook. These committees have emerged and evolved along with the growth of the offices and are currently undergoing review.

The unofficial family motto of learning to do by doing has informed Vesta Family Office President Max Fortmuller's approach to managing and growing the family wealth.

"We launched our office right at the beginning of the global financial crisis (GFC) in 2008. We rode the rollercoaster all the way down and back up again, like everybody else in public markets did," says Fortmuller, who is also the CEO of Vesta Wealth Partners.

Fortmuller built out the family's investment portfolio back in 2011. It originally hinged on diverse public market equity strategies and asset allocations, including passive and active strategies, Canadian mandates, and global mandates. But over time, heeding learnings from the GFC, Fortmuller set out to build risk averse portfolios with better diversification than the public markets offer.

Many current clients were clients of the multi-family office that Fortmuller transformed into Vesta Wealth Partners who have chosen to remain onboard – indicating their trust in Fortmuller and his team. Fourth-generation family matriarch Dagmar is involved in an ownership capacity and has her own holding company that is also a Vesta Wealth Partners client.

"We are a fully regulated investment management shop, and we also allocate to private and public markets. We utilize options to manage public market risk. The philosophy is, if you manage the risk, the performance will take care of itself. But it's very hard to get alpha in the public markets, so we allocate outside of the public markets."

Under Fortmuller's watchful eye, Vesta Wealth Partners' AUA have grown to more than CAD$850 million. It plans to grow further.

Unusually for a family office, the Vermeer Family Office does not have an investment portfolio as such, but significant wealth to distribute via shareholder dividends.

"I know for most folks in the family office world, somebody initiated a liquidity event and there's money to manage. Here, we're a little different. We're more about trying to keep a family group – the Vermeer family group – cohesive. We're very custom in that way," says nonfamily member and Senior Family Office Manager Aaron Smith.

The family office oversees the distribution of dividends and offers wealth management support to the Vermeer family's 80 members, as well as philanthropic activities. As a faith-based organization, the Vermeer Family Office has a particular take on community responsibility.

"We are very concerned with the community aspect of what our business means to our employees, our customers, our suppliers – to everybody. The family group takes a larger

view of that, and that informs our longer-term vision, including our shareholder pledge and expectations."

Family members have been involved in the work of Vermeer Charitable Foundation since the early 1970s, both as directors and as officers. Three generations of the Vermeer family shareholders now serve as directors on the Board of the Foundation, which is primarily focused on education and scholarships, environmental protection and business mentoring, and disaster relief.

Protecting the family legacy

Doing the groundwork to ensure your family office continues to thrive

Protecting the family legacy

Doing the groundwork to ensure your family office continues to thrive.

The notion of never mixing business and pleasure has long been irrelevant for families with a significant legacy of business acumen and wealth, for whom 'the family business' is often mirrored by 'the business of family'. We learned that being able to have hard conversations is essential to the long-term viability of a family office, as is a clearly defined playbook in the form of a family constitution, guidelines or shareholder's agreement to define roles, appetite for risk and succession planning. Some families facilitate their own communication and decision making; others find involving external experts such as consultants and advisors helpful.

Giving shape to generational succession and ensuring access to higher education for all members of the family are high on the agenda at the Maldonado's family office.

"A family business is a completely different animal from a normal US corporation. How a family business should be approached and treated and the knowledge pertaining to family business is quite extensive as a separate topic from regular corporate practices," says Alexander Degwitz, second-generation family member and Family Council Chair at Grupo Económico Maldonado (GEM, or Maldonado Economic Group).

"It's a lot of psychology, a lot of dealing with merit versus entitlement. It can be a very complex environment, but when a family group or a group of owners work well together? The potential is infinite."

Creating and designing its family office enabled the Maldonados to put a structure and plan into place that worked for them. The next generation is given considerable weight in the Family Council's decision-making processes, with one chair designated for a member of the next generation. The family has also created an Education Fund.

"One of our objectives is to make sure that any family member that wants to get higher education will get it, regardless of their parents' success or failure in business."

"In general, we have discovered the importance of educating ownership, as when owners are not educated about their business it is unlikely they can make the right decisions. Moving forward I would place more emphasis on this central function of a family office, education is the best guarantee for long term success."

Over time, as the Vermeer family has grown and become more geographically dispersed, it has become challenging to maintain the family dynamic, says Senior Family Office Manager Aaron Smith.

Today, only about half of the family is living in an immediate 40-mile radius around Pella, Iowa. Thirty years ago, that figure was close to 100 percent. One way the family offsets this is with an annual, three-day-long family camp. Held every July, the 80 family members get together to reconnect.

"The intention is to create and maintain those relationships, for the cousins to get to know one another, and to reaffirm the family's values and priorities. Our outside board chair and our CEO are there, and we have some updates, but frankly, it's more of a values-based gathering to reaffirm what the family holds dear," says Smith.

Smith also says that managing conflict is part and parcel of family business. To optimize the way it does this, the Vermeer Family Office is working on a conflict resolution framework.

"The point of the framework is to identify the right avenue for those difficult conversations. For us, those conversations have historically happened largely outside of our formal structure, so we're trying to get folks in the same room hearing the same things, reducing the likelihood of experiencing triangulation, because that's a real issue. The more you can codify an objective process that everybody believes in – at least in the abstract – the easier it is to remove the emotion that's naturally going to be there."

The Fortmuller family mandate for its office flows from a stewardship mentality, where the previous generation's wealth is protected by the current generation, for those still to come.

"It takes a significant amount of time and risk to grow capital, and once you have it, it's a legacy. It would be really sad if all the hard work, blood, sweat and tears involved in getting to this point were ruined because we didn't take it as seriously as previous generations have."

The family has four formal business meetings a year, during which it reviews its portfolio and returns, plans and makes decisions. Fortmuller takes care to ensure everyone has a voice.

Decision making is done as a family. When the office was first established in 2008, the Fortmullers decided that votes between three siblings and their mother would decide outcomes. If the votes are ever split down the middle, matriarch Dagmar Fortmuller gets the deciding vote – a strategy the family has never had to put into the place.

Fortmuller subscribes to the three-circle model of family business: ownership, family and management.

"Knowing which circle you're in at a particular point in time, and knowing that no matter what, you'll always be family, is important. One of the ways I've earned this role is knowing that it's not about me, it's about the family moving forward. It's important to separate

yourself from the family objectives. If you can think beyond yourself, then people are more likely to trust you, and empower you to make decisions."

As it evolves and determines the structure and workings of its family office, Placements Italcan Inc, the Saputo family is involving external consultants to optimize fairness, transparency and trust.

"Outside consultants come in with independence and are neutral in terms of which way things will go. Their advice is based on what the family's wants and needs are. It creates more transparency and trust in the process taking the route it needs to take," says CEO Patricia Saputo, who believes it's important to reflect on the human and relational side of the family.

"There's a family side, and then there's a business side, and we put family first, not business first. Having the conversations and building relationships are the most important part of creating a positive family dynamic."

Patricia Saputo finds the three-circle model of family, operations and ownership useful. She recommends each person in a family be supported to explore their role and what it is they're looking for from the family, and the family business.

"What's the glue that keeps you together? Is it the family office or is it an investment holding company, or is it love for each other, or do you just want to be a part of something bigger? Maybe it's just coming together during the holidays, have dinner and enjoy each other's company!"

Saputo expects the family will formalize its version 3.0 with a family constitution and mission statement. She expects there will be a meritorious Board of Directors that appoints executive staff and will determine the governance structure as to who in the family has a voice, and who has a vote.

The Del Río family has three independent family offices, each led by one of the second-generation children of the original wealth creator. These offices are housed within a larger multi-family office.

Many family members, spanning three generations and three lines of descent, are actively involved in the various business and investment interests of the Huillinco Family Office.

"Working with family is always interesting and challenging," says Andrés Del Río, Director and third-generation family member. "Our family office is somewhat unique because we have many family members involved, which is not very common. It's good to have family eyes reviewing decisions and participating in the business, but you must be very organized! Maintaining high discipline and professionalism is crucial, especially to attract external talent."

Del Río has found that involving trusted external individuals helps mitigate the intensity of the family dynamic, both in his direct office and within the multi-family office it sits within. This is particularly true when it comes to

investment advice, with the family hiring some of the most respected advisors in Latin America to guide how they manage and grow their investment portfolio.

To protect the family dynamic and legacy, the office is currently undergoing a consultation and review process aimed at streamlining processes, decision-making, and personal involvement of various family members.

Getting the technology right

Identifying the most relevant and appropriate systems and sources for information, data analyses and protection

Getting the technology right

Identifying the most relevant and appropriate systems and sources for information, data analyses and protection.

Single and multi-family offices alike must have robust information technology systems in place to effectively manage and monitor assets and performance. Multi-family offices in particular must meet stringent internal and external reporting requirements, to both regulatory bodies and to their clients. All of the offices we spoke to draw on research and data from external providers alongside their own internal data analyses and keep careful records. Information from the likes of the Bloomberg Terminal provides valuable insight to investment trends and industry changes.

An interest in innovation, an openness to change and a keen awareness of Chile's economic strengths and relationships underpin the Huillinco Family Office's approach to technology.

"We don't have any investment interests in AI, but we are very focused on trying to understand how technologies are changing and affecting the industries we have interests in – insurance, real estate, automobiles, retail for home improvement, and banking – in order to implement new developments in the companies we own or invest in, to remain competitive in the future," says Director Andrés Del Río.

The office uses Bloomberg for "everything," along with a software system that can manage the idiosyncrasies of multiple currencies and investment types.

Chile has two currencies: its legal tender, the peso, and the Unidad de Fomento (UF); a non-circulating currency used to determine principal and interest in a range of situations, including domestic and international loans, private or special financing, purchases and investments on installments, contracts, par value of stock, and the capitalization of companies. The exchange rate between the peso and the UF is constantly adjusted for inflation so that the UF's purchasing power remains stable.

"It's important to have accountability in the UF, so we use fit-for-purpose software. This includes the US and is very important for the Chilean fixed income market. It is very important for family offices and for the Latin American market because our fixed income market has higher rates."

The Saputo's family office, Placements Italcan Inc, has decided to maintain separate accounting and investment software for the time being but anticipates evolving to a data interface in the future.

“We’ve realized that accounting and investment reporting are two totally different things, and that you need an interface between the two, so last year's project was looking for the right service provider – one that can aggregate all of the data that we have,” says CEO Patricia Saputo.

Having done her research, and with a background in tax accountancy and company management, Saputo has concluded that for now, separate systems – Masttro for its investment needs and reporting and QuickBooks for its accounting needs – amply meet the office’s needs. She plans to manually pass and share data between the two systems, but anticipates exploring a single system or interface to connect the two, down the road.

Saputo is cautious about AI but imagines Placements Italcan Inc will make more of the technology going forward as it is further developed.

“I think we're living in an age where it's inevitable and everything is moving in that direction. It's one of those things that if you're not keeping up, you're quickly going to feel like you're very far behind. It's a matter of understanding when it's useful and when it's not and using it in a way that protects and maintains the integrity of your proprietary information. You have to be careful and conscientious to ensure it works for you, and not against you.”

Two key technology platforms underpin the operation of the Vermeer Family Office, which is embedded in the Vermeer Corporation.

The Vermeer Family Office was established in 2014, and is embedded in the Vermeer Corporation, of which many second and third-generation family members are shareholders. The family office is subject to the corporation’s IT, governance and regulatory structures, but makes use of two platforms designed specifically for family offices.

The first is an encrypted platform that it uses for managing documentation related to committee meetings and taxation, and the second is a real-time equity management platform.

“The encrypted platform we utilize for our committee meetings is a wonderful place to upload all our documents. Knowing that it is encrypted is very helpful. It’s also been a wonderful thing for our tax advisors, as it has a private vault feature. We upload income tax forms to family members there, so they don't have to send those out. It’s a great time saver for them,” says Senior Family Office Manager, Aaron Smith.

"And then, the equity management platform essentially gives a real time view of each shareholder’s holdings. This helps facilitate our gift transfer regime to family, as most of the family take advantage of the annual exclusion gifting. And then also their individual trust structures.”

Accessing the latest and best in technology and news is business as usual at the Vesta Family Office and Vesta Wealth Partners, says President and CEO Max Fortmuller.

From a business perspective, Vesta Wealth Partners uses a variety of technology solutions, including a Bloomberg Terminal subscription, to understand the risks of its public and private market portfolios, conduct attribution analysis, and perform scenario stress tests, which provides instant access to risk metrics and market data.

Vesta Family Office is beginning to explore AI as a tool. Its CIO has recently started working with a new product that integrates generative AI and proprietary platform capabilities to aid private markets investment data, analysis and decision making.

It undertook an extensive process to select accounting, investment and fund management tools, as well as the strategic use of third parties for specialized activities such as fund administration.

“From a family office perspective, it is important to stay informed of what is going on in the industry, and keeping up with the current best practices,” says Fortmuller.

Information is organized digitally and stored within several secure software packages at the Maldonado’s family office, Grupo Económico Maldonado (GEM, or Maldonado Economic Group, or GEM).

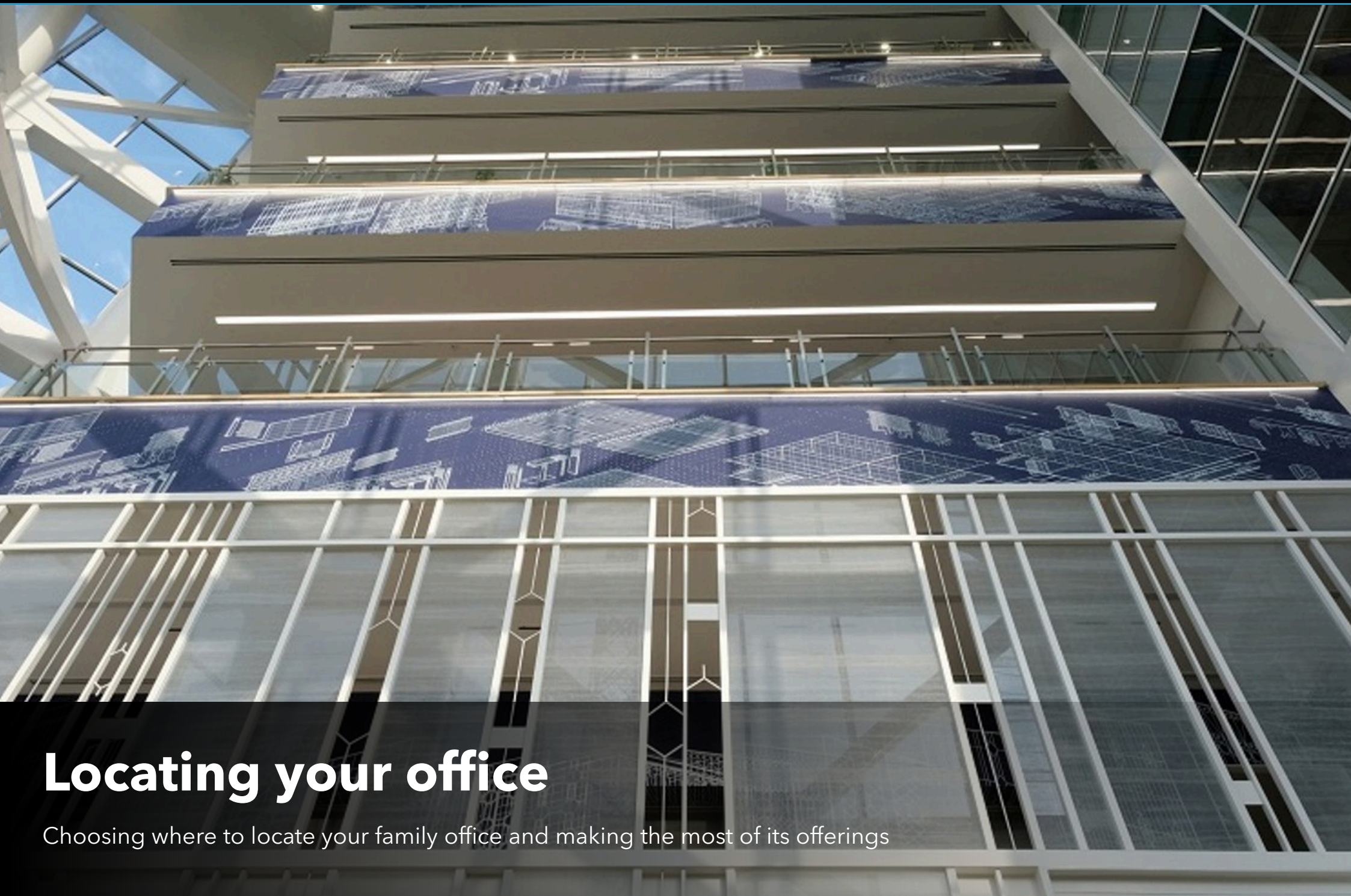
The cloud aids record keeping with automation and broadening access to enable the family to query its historical decision making when it wants insight into the why of a particular investment, or to be able to track its growth.

“We have organized our information into filing systems and applications, that will guarantee that you're compliant and up to date with all the information you need for each asset that you own.

“There are software solutions out there that can really help a family office manager tremendously,” says third-generation family member and Family Council Chair, Alexander Degwitz.

“If we want to remind ourselves why we decided to invest $100,000 in a company in Venezuela in 2019, an authorized person can download the documents, and see who decided what. This kind of oversight tool is important to increase accountability. In an environment where there are business interests as well as investment portfolios to manage, one of the family office’s fundamental roles is to be the gatekeeper of information and to apply best practices for the information to be available and used as well as possible.”

GEM is now undergoing a major revision of its systems and governance structure to ensure it is fit for its purpose for the coming decade.



Locating your office

Choosing where to locate your family office and making the most of its offerings

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Migration in search of opportunity from old to new worlds features strongly in the origin story of the wealth of several of the families we spoke to. Proximity to family and business interests, regulation, taxation, access to a professional network, and ease of recruiting are all considerations when deciding where to establish a family office. The five family offices we interviewed were able to share insights into Chile, Canada, the United States and Venezuela. In recent years, Calgary in Canada and Miami in the United States have emerged as family office hubs.

Networking with other family offices at home then travelling globally to strategically connect with others is proving effective for Max Fortmuller of the Vesta Family Office.

The Fortmuller's Vesta Family Office is in Calgary, Canada. There are several family offices there and plenty of networking opportunities.

Fortmuller is part of several organizations, volunteers a lot of time to Family Enterprise Canada and the Family Business Network, and regularly attends family office conferences to maintain a continual growth mindset. He is also a member of a Next-Gen Business Group in Calgary that is made up of "second gens" dealing with taking over the family business.

"There are advantages and disadvantages to being in Canada," says Fortmuller, whose family wealth has its origins in late 19th century Germany.

"Canada is a young country compared to Germany, the UK, or even the United States. Alberta specifically is a young province, having only become a province of Canada in 1905. We don't know what we don't know but, given my family background and the fact that I was born in Germany, speak German, and don't mind traveling, I can leverage other people's experiences in other parts of the globe."

Fortmuller recently attended a Family Office conference in the UK, and was able to have valuable conversations with second, third, fourth, fifth, and even sixth generation members of high-net-worth families.

"In the family office world, leadership can be very lonely place. But there are professional networks and family office communities out there, and exposing yourself to them and realizing that you're not alone is a huge leg up," reflects Fortmuller.

"One piece of advice I can offer is to start engaging and being part of Family Office

organizations, like Family Enterprise Canada or FBN-The Family Business Network. These groups enable members to learn from each other. This includes learning best practices in the industry, which empowers all of us to grow. Learning from experience, and better yet, learning from other peoples' experiences and not making the same mistakes is the best form of learning that there is. There are many reciprocal benefits in this process, one of them being developing a growth mindset, which can do wonders for the culture of an entire family office."

Director of Huillinco Family Office and Vice President of the Chilean Association of Family Businesses, Andrés Del Río, estimates that there are around 200 family offices with AUM exceeding USD$5 million in Chile.

Like the Del Río's family office, most of them are based in Santiago. "Here in Chile, we are a very centralized country. Everything happens in Santiago. We are trying to encourage family businesses outside the capital, through the work done by the Chilean Association of Family Businesses."

Another way the family promotes business activity outside Santiago is through their foundation, Fundación Emprépolis, which focuses on creating opportunities for educational advancement and entrepreneurship in the fourth northern region of Chile, Coquimbo.

The office seeks investment opportunities in the United States and Spain, and strategically invests in Chile to support the economy and the country's growth and development. However, Del Río reflects that it is becoming increasingly difficult to invest in his country due to economic deterioration and the legal and tax reforms affecting Chile's stability. As in many other countries, the current financial tightening Chile is experiencing can be attributed in part to external factors, including the impact of the COVID-19 pandemic.

The Maldonado family migrated to Miami, Florida from Venezuela in 2013, after carefully researching where it wanted to base its office and business.

"We decided to exit Venezuela because it was becoming increasingly hostile for the private sector. In 1998, we realized that, as a family that had gone through two generational successions and some liquidity events, we were essentially without a home country. We decided that we were going to make our home base in the south of Florida," says third-generation family member and Family Council Chair for Grupo Económico Maldonado (GEM, or Maldonado Economic Group), Alexander Degwitz.

To achieve its goal, the family engaged one of Latin America's leading private equity, mergers and acquisitions and advisory firms.

"They analyzed the status of our assets, and all of us; we did surveys, we tried to be all encompassing, about the needs of all our multigenerational beneficiaries. We then realized that in order to implement the consultants' findings, we needed a structure that would enable us to organize our assets

and give us some executing capacity."

"Miami has historically been a second home for our family members, so it was a very soft landing. But more importantly, it's the capital of Latin America. Additionally, in the last four years we've seen a massive influx of American wealth coming to Miami. It has become a point of congregation for Canada, the US, Mexico and all of South America. There is huge opportunity here."

Family wealth creator Francesco Saputo set out for the United States from Sicily in the 1950s. The family landed in Montreal – and that's where the Saputo's family office, Placements Italcan Inc, is headquartered today.

"When my grandfather and my father, being the eldest son of eight children (seven at that time), were in Sicily after World War II, it was easier for them to come to Canada via Ontario to get to the States because the US was shutting the borders to new Italian immigrants. But they never made the trek to the US; they instead found opportunity in Quebec," says third-generation family member and CEO, Patricia Saputo.

The way public philanthropy is structured in Canada appeals to the Saputo family, who prefer to fly under the radar in the realm of giving, and to give in an informal and individual capacity, rather than a formalized family one.

"In Canada our public foundations are more private than the private foundations because private foundations must divulge information about their financial activities, and it's publicly available. Whereas a public foundation doesn't have to divulge what individual donors have given, as they do it as a whole."

The Saputo family may explore a more formalized approach to philanthropy for Placements Italcan Inc in the future.

Like the family business it is incorporated into, the Vermeer Family Office is based in Pella, Iowa, in the midwestern United States.

The Vermeer Corporation and Family Office's location are tied up in the origin story of the family's wealth. Vermeer, which designs, manufactures and supports high-quality industrial and agricultural equipment, began life in 1948, as wealth creator Gary Vermeer's one-man job shop on a farm in central Iowa.

Today the company has over 4,000 employees – most located in Pella but also in: Freeman, South Dakota; Griswold, Iowa; Piedmont, South Carolina; Okahumpka, Florida; Goes, Netherlands; Singapore; Valinhos, Brazil; and China.

Gary Vermeer's home still stands just east of the Vermeer campus in Pella, a 40-minute drive from the Iowa state capital of Des Moines and is listed on the National Register of Historic Places.

Non-family member and Senior Family Office Manager Aaron Smith says that the family – now in its fourth generation and with 80 members – is gradually moving away from Iowa, and that the family office doesn't

necessarily have to remain in Iowa to flourish. Only about half of the family is living in an immediate 40-mile radius around Pella, Iowa, today – just 30 years ago, that figure was close to 100 percent.

Planning for the future

The importance of making way for the next generation

Planning for the future

The importance of making way for the next generation.

Having clarity around succession of the family office in the future emerged as a major concern for all the family office representatives we spoke to. Some have formal succession plans in place; others are comfortable allowing things to unfold organically. Recognizing that future generations might have different values, interests, communication styles and ways of going about the business of a family office was widely acknowledged—often from the perspective of first-person experience by a second, third or fourth generation family member, who themselves inherited a family business or office and set about evolving their legacy to be relevant to their own and their generation's style, and to the investment landscape and global concerns of their time.

A seven-generation mindset and an awareness that she "might not be there tomorrow" is a large part of Placements Italcan Inc (the Saputo's family office) CEO Patricia Saputo's motivation for putting systems and structures in place.

"We're looking at our family and our business with the seven-generation mindset. If you know the three before you, and you know yourself and perhaps your children and grandchildren, then it's easier to envision those who will come after. Another helpful way of thinking about it is the generational wave, where the grandparent-parent-child become grandparent-parent-child, and so on, in waves," says Patricia Saputo.

These are some of the founding concepts of Crysalia, a human capital-focused learning and development advisory for enterprising families that Saputo co-founded in 2021.

"If you must think of the future and the family office's legacy for a hundred years, but you don't know the people, how do you identify with them? What will the work we're doing now and the systems of governance we're putting in place mean for the next generation? The decisions we're making now are important; they're going to affect future generations of our family. It's a big responsibility."

The generation below Saputo has nine members, aged from late teens through to late twenties. Part of evolving the family office from version 3.0 to 4.0 is formalizing how to bring in the next generation, and to professionalize that process – and protect the family wealth – for generations to come.

"We're trying to figure out the hat you wear, the room you wear it in, and who has the influence in their voice versus the decision-

making capacity in their vote. That's all part of what we're trying to instill in the next generation. What is it that they need to do for themselves if they want to have a vote in the future?"

Nurturing the growing fourth generation's engagement in and understanding of the Vermeer family business is a major focus for Senior Family Office Manager Aaron Smith.

There are 30+ members in the incoming fourth generation. Of course, not everyone can be actively involved in the family office – but supporting younger family members to explore if they want to or should be involved is important.

"It's about getting them to a base level of understanding about the business, and it's about financial literacy. We want to get all family members to the point where they feel comfortable working with the amount of wealth they're going to inherit," says Smith.

One way the office does this is by facilitating a Junior Charitable Foundation Board for family members aged 14-18 at the annual family camp.

Smith says his role is "all about planting the seed in the heartland" and shares that he and other non-family leaders would like to see a family member take over as CEO from the current CEO, who is a third-generation family member.

"If one of those fourth-generation members is qualified and equipped to do that, then we'll facilitate that transfer. But if none of them are, then we'll be trying to figure out how people feel about moving to a non-family CEO. That'll be between the board and the Ownership Council."

The Maldonado's family office, Grupo Económico Maldonado (GEM, or Maldonado Economic Group's) approach to succession took into account in three generations: the founders, the current one, and the upcoming one.

"Our generational transition took us through two generations, which is rather unusual. That was the vision of my uncles. At the time my uncles were already relatively older, and they needed to plan their own succession while they were trying to sort out the one with my grandfather. He was an 82-year-old traditional patriarch so none of my uncles and clearly none of us [third-generation family members] had any claim to family wealth," says Family Council Chair, Alexander Degwitz.

The family anticipates that by creating and designing their family office as a platform that provides a structure and puts a plan into place, they will support the family wealth to grow over many generations.

The next generation was given considerable weight in the Family Council's decision-making processes, with one chair for a member of the next generation, whose voting power is worth 2.5 votes, whereas a vote from each of the current generation's five chairs is worth one vote.

"In our structure, a lot of weight was given to the next generation as a method of mitigating what is the most common of problems in family businesses, which is to keep the spark alive and involve future generations. It was a way that we could include the younger ones and get them involved and get them to understand our businesses, in essence an education platform."

The Huillinco Family Office has just completed an in-depth, one-year consultation and review of its structure and systems, including succession planning.

The fourth generation is still too young to be involved, but the family, especially the second and third-generation members who have achieved significant growth and expansion, recognize the importance of having plans in place.

"Our father is a brilliant man; he is an engineer and has been very successful in growing and starting new businesses. He is the President of our family office and is still very active and involved," says Andrés Del Río, Director and third-generation family member.

"It has been difficult for him to 'pass the key' to the next generation, but of course, he recognizes how important it is to have something in place and to do it right."

A strengths, interests and philanthropy-based approach can help family members find their way into wealth stewardship, says Max Fortmuller of the Vesta Family Office.

Philanthropy was mandated for the Vesta Family Office by matriarch, Dagmar Fortmuller, with giving taking place in three focal areas: education, the less fortunate and children. Fortmuller has found it an excellent training ground for family members working towards becoming involved in the family office proper.

"We've involved our younger siblings in our family foundation by giving them projects to develop their accountability. We ask them to pick a charity that they think is worth allocating to, and then see how those funds were allocated the year after," says Fortmuller, who is also President of Vesta Wealth Partners.

"A foundation is unique in that you can direct capital, but don't have ownership of it. It enables us to separate out stewardship while still teaching or learning other guidelines, and that's quite valuable."

Fortmuller reckons a question that's often overlooked in a family business environment is whether the next generation actually wants to take on the burden of family wealth stewardship.

"I believe in supporting the next generation to find their own passions. My kids are very young now. I plan to empower my kids to find their passions and one day, if they want to take it over, they're more than welcome to, but that's a decision for them to make. I won't thrust it on them."

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About Family Business Network

FBN (Family Business Network) is a global not-for-profit membership organization headquartered in Switzerland, comprising 33 member associations spanning 65 countries on 5 continents, 4,500 business families and 20,000 individual members, of which 8,000 are NxGs. For over 35 years, FBN has helped enterprising families grow, succeed, and prosper through the exchange of best practices and innovative ideas. Being by families for families, FBN provides a unique environment where business families can learn from each other. FBN is an inclusive organization that welcomes all business family members. We are a community of communities developing programs tailored to the wide needs and interests of its members including by generation, role, and topic. Our six communities include Next Generations, Now Generations, Entrepreneurs, Large Families, Family Office and Impact.

The Family Office Community

In 2020, we inaugurated the FBN Family Office community, dedicated to supporting forward-thinking families as they extend their focus beyond their traditional business legacies. As they continue to work together beyond these evolutions, family owners face challenges both on the family and the business side, FBN offers them a safe platform to discuss

- The family side of family office: succession planning, education of the Next Gen, family cohesion, entrepreneurial spirit, family compensation, philanthropy, concierge services, etc
- The Business side of family office: wealth planning and management, diversification, active investing, non-family talent, impact investment

The Impact Community

FBN Impact works with our community of leading business families to create a positive impact in the world and build a lasting legacy across generations. We do this by fostering pathways for systemic change through responsible business transformation, impact investing, philanthropy and advocacy. Since launching our first sustainability initiative in 2014, our community has partnered with many thought leading organizations to develop content that supports business families on their journeys to thrive and transform. We are now building on these efforts by working closely with all of our Chapters to build a global community of impact leaders, further supporting collaboration between our members as they move from learning to collective action, developing frameworks that help facilitate change, and providing thought leadership that inspires other families to take action.

Know more about our upcoming events and activities: www.fbn-i.org
Contact: Christine Gaucher
– Christine.gaucher@fbn-i.org

FBN
FAMILY OFFICE

Thank you

Thank you to our participating family offices

Bloomberg and the Family Business Network would like to thank representatives of the family offices who generously gave their time to participate in the interviews that have informed this guide.

Grupo Económico Maldonado (GEM, or Maldonado Economic Group) (Maldonado family)

United States

Huillinco Family Office (Del Río family)

Chile

Placements Italcan Inc (Saputo family)

Canada

Vermeer Corporation Family Office (Vermeer family)

United States

Vesta Family Office (Fortmuller family)

Canada

Bloomberg thanks FBN, The Family Business Network, for its partnership and commitment to producing this guide.

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Family Office Guide

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