



## The Virtual Family Office - a different type of Family Office

At the time of writing, the Euromillions lottery prize fund was estimated at £121,000,000. Professionals up and down the country are dreaming of what they would do if they won that amount of money – or is it just me? With that kind of wealth most of us would want to choose our advisors carefully – let's face it, lottery winnings are notoriously easy-come, easy-go. There are many options available. A Family Office would be an obvious choice.

But what about if you don't win the big rollover prize and instead "only" win a double rollover of say £20 million? Would you still need accountants, tax advisers, lawyers and wealth managers? With £20 million you could consider yourself wealthy but would not be wealthy enough to set up your own full-scale Family Office with your own personal team of trusted advisors. So is there a solution?

### Enter the "Virtual" Family Office...

There is no single definition of a Virtual Family Office and no "perfect" structure as each family has different needs and circumstances. A Family Office usually involves a separate legal entity (usually either a partnership, a corporate or both) through which the whole of the family's financial and business affairs are managed. In a Virtual Family Office, the family's existing trusted professional advisors work closely together and with the family for the benefit of the family's business and financial interests. A Virtual Family Office gives structure to the existing advice network which in turn allows the professional advisers a greater understanding of the "big picture".

The idea is to primarily to protect and increase the family's wealth. Most HNW families extensively use a variety of different professional advisors. There may be numerous projects going on at any one time and it can be a full-time job liaising between the different professionals and ensuring they are not duplicating work or, worse still that things aren't falling between the cracks. A formal Family Office clearly sets out the family's business and financial aims and objectives and sets parameters for each professional, controlling the flow of information to the family itself. Tax planning is made easier as information from all advisors is pooled.

### The typical Virtual Family Office can ...

- Manage all the trusts, rental income businesses, farming interests, investment portfolios and charitable giving.
- Tax planning – and lots of it - to preserve and create the maximum wealth in the family for the next generation.
- Control the paperwork.

- Manage the different family members according to the core values of the Family Office.
- Have regular strategy and operational meetings between family members and key advisors.

### Who can have a Virtual Family Office?

Any high net worth (for these purposes typically with total assets of over £10 million) family with multiple income streams and more than one generation. I would add that it is best suited to a family whose members have shared core values and a communal sense of purpose and strategy. A virtual Family Office is ideal for families who currently use several different professional advisers.

### The benefits of a Virtual Family Office can be...

- Significant tax savings can be made when the family is dealt with together.
- Trusted advisors working together bring more value
- Stewardship for the next generation.
- Family governance and risk management.
- Joined up thinking on tax planning and investment strategy
- Gives the family a targeted wealth management strategy
- Philanthropic aims and objectives can be met more easily.

The way that it works in practice, or the easiest way to describe it is to think of the family concerned being the shareholders of Family Ltd and the advisors are the Board of directors. Some of the advisors will be executive directors and some will be non-executive directors. The CEO will usually be the head of the family.

Which advisor takes the lead and sets up and runs the family office will be down to who is closest to the client and what the client's key objective is. Sometimes it's a lawyer or accountant, sometimes a land agent and often it's a private client tax specialist.

**About the author** - This article was written by Tax Panel member Alastair Byrne of JWPCreers LLP.

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*See pages 2 & 3 for members of the tax panel*

UK200Group Tax Panel members are renowned for their depth of knowledge and can advise on all areas of taxation with special expertise and experience of multinationals, UK companies, privately-owned organisations, sole traders, family businesses, trusts, partnerships and private individuals. Straight forward general enquiries will be dealt with quickly and free of charge. More complex specific client enquiries may require a fee charge which will be discussed and agreed by both parties prior to any work being undertaken.

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