



The rise of Family Office in Australia

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Family Offices (FOs) are set up with the primary objective of preserving family fortunes and non-financial purposes like philanthropy, tax advising, education, etc. Herein: general administration, reporting, investment analysis and managing the various activities or interests of the family members become the 'core operations' of a family office.

What does the Family Office basics entail?

- Clear Objective - in terms of wealth creation, preservation, and monitoring
- Investment - a minimum baseline; specific areas of interest; value propositions - which may vary in terms of the entry point and the stage of the company / project where they see the most upside
- Management Structure - depending on the family office type (single family office or multi-family office)
- Coping with Challenges - especially in terms of capital preservation; they are always looking to apply the best protection for the downside risk with solid moats
- Greater focus - towards philanthropy, social impact and giving back to the community

We've used the below infographic to reflect the ABCs of Family Office mechanics:



THE ABC OF FAMILY OFFICES



OBJECTIVE



Wealth creation,
preservation & monitoring

Non-financial purposes like
philanthropy, legacy, tax
advising, education, etc.

BASELINE

Families with an investible
corpus of at least USD 250
million



In India, offices have been
setup with amounts starting
from Rs100 crores

TYPE



Single Family Office (SFO)
- exclusive focus on one
family's needs

Multiple Family Office (MFO)
- wealth of multiple families,
increase in investible funds

MANAGEMENT



Family member /
professional CEO

Qualified fund
managers, founding family
members, banks

CHALLENGES

Confidentiality of
investment details

Controlling Process &
Outcome



FUTURE



Increased geo presence &
Tech upskill

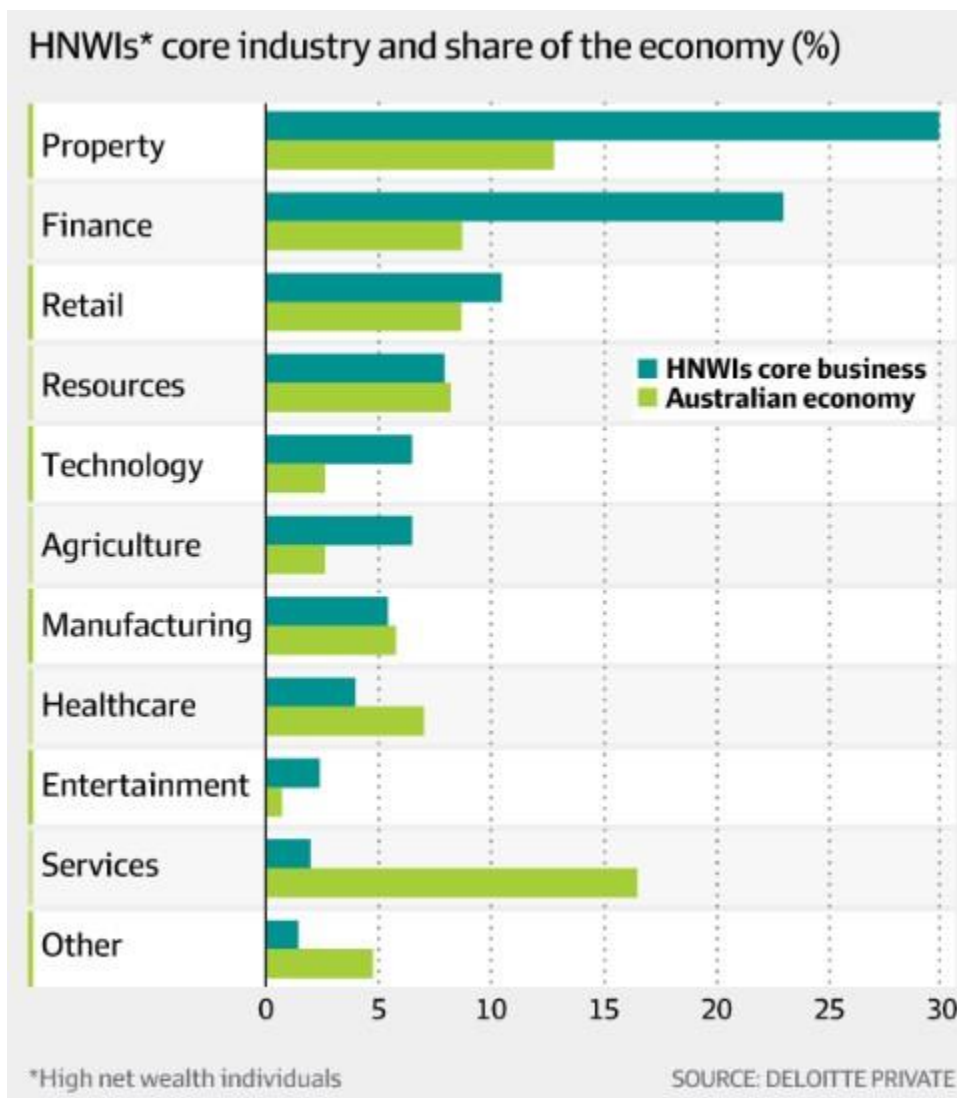
Newer Investment venues &
Philanthropic appetite



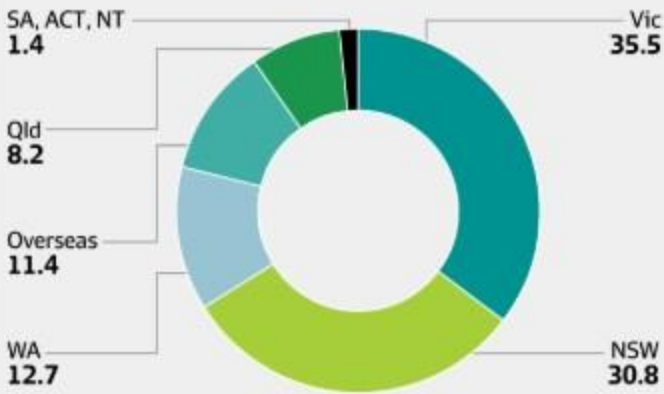
FOs & The Land Down Under:

"Family offices have always had pulling power. Shrouded in privacy, and with the suggestion of enormous wealth and the access and contacts that go with it, they've been a relatively unknown quantity in the Australian market. So much so that back in 2014, an agribusiness executive at a major bank established a fake family office (the so-called Brook Family Office) and obtained confidential details about a competitor before being exposed as a fraud." writes AFR.

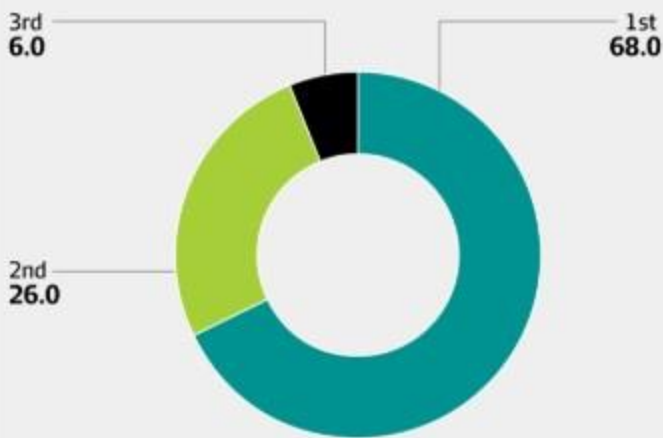
Check out the data chart from Deloitte below to see how much big the FO landscape has become today:



Location of wealth for the top 200 single family offices (%)

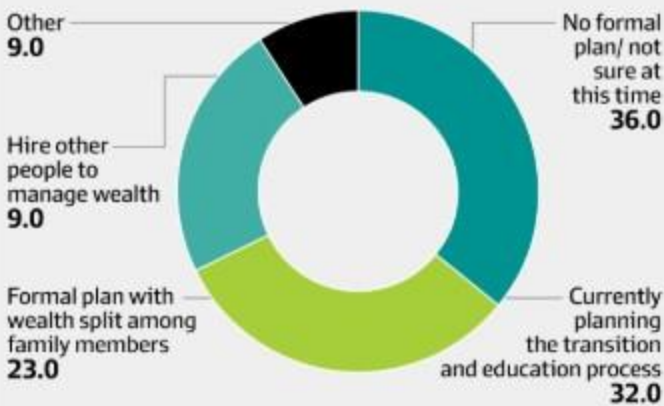


Family generation leading the top 200 SFOs* (%)



*Single family offices

Transition plans of surveyed HNWIs* (%)



*High net wealth individuals

SOURCE: DELOITTE PRIVATE



Recognised as a separate and significant pool of capital, there is a rising number of family offices, and the phrase has become a common knowledge for the world at large. More and more HNWI's are increasingly looking at managing their own substantial assets and related investments.

Structure:

At the larger end, family office employees would normally include investment analysts, tax experts and accountants as well as administrative staff. For property-focused family offices, that may also include development experts. According to Hamilton Wealth's managing partner Will Hamilton, a family would need at least \$100 million to invest to consider running 10 staff.

Philanthropy:

Here is some data on the give-aways from the AFR-JBWere's Philanthropy 50 List for 2018.

Top givers - Paul Ramsay / Ian Potter:

- The Paul Ramsay Foundation was once again the biggest giver in financial 2017, giving away \$83 million.
- Ian Potter Foundation, which came second, gave away \$35 million.

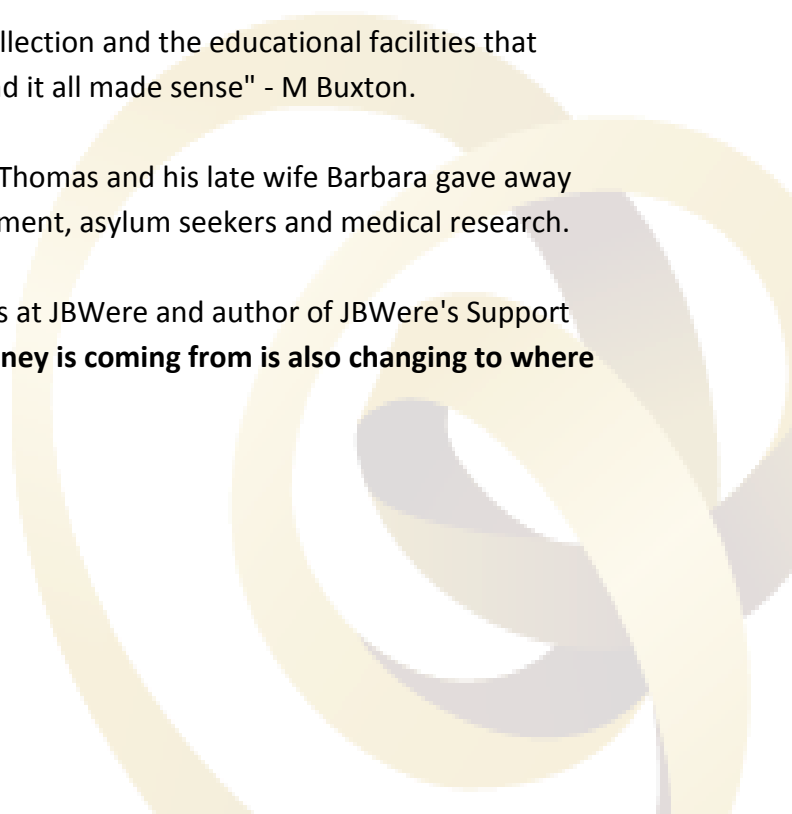
New Additions - Buxton / Thomas:

- Property developer Michael Buxton and wife Janet donated \$25 million of art and endowment funds. While they had wanted to build a museum to house their 350-piece art collection, they eventually opted to partner with the Melbourne of University.

"We thought about the longevity of the collection and the educational facilities that could be offered through a university ... and it all made sense" - M Buxton.

- Thomas Foundation, established by David Thomas and his late wife Barbara gave away \$4 million to marine research, the environment, asylum seekers and medical research.

John McLeod, co-founder of philanthropic services at JBWere and author of JBWere's Support Report, comments: **"The change in where the money is coming from is also changing to where it's going to!"**



Trends:

- In Australia, the top 200 single family offices (SFOs) had a total wealth of \$267 billion as of June 2017: Deloitte Access Economics and FO group 'The Table Club'
- It compares to \$282.7 billion held by the country's richest 200 individuals: Financial Review Rich List
- The number of individuals with net assets of \$40.5 million or more has grown by 85% in Australia over the past decade to 2016. This is expected to grow an additional 70% by 2026.
- 68% of the top 200 SFOs are still controlled by the people who made the money (the "first generation"), and only a quarter are in the second generation.
 - By the third generation, often the money has been divided up or shrunk – hence no more need for a family office.

"Five years ago I'd talk to about a quarter of the number of families about family offices as I do now. Families are either selling out or looking at diversifying wealth away from the business they manage" says Deloitte Private tax partner Michelle Hartman.

With global exposure as one of the common themes, Macquarie Private Bank's executive director Justin Crawford says the bank's global reach, often in renewables and tech-type exposure, appeals to family offices, usually in the form of co-investments.

He however differentiates high-net-worth individuals from family offices like this:

"We see a lot of family offices as more self-directed, and we provide execution services or deal flow, while high net worth individuals the focus is more around investment portfolio construction."

Investment banker Jon Biesse adds,

"People go to family offices now ahead of private equity, because of the benefits of the long-term view."

Source: [FO evolution](#) - Forbes | [Rise of FOs](#) / [Philanthropy 50](#) - AFR

◆ More Insights on TATFO ◆

- [Aiding Australian Family Offices to Turbo-Charge Portfolios with Indian Investment Opportunities](#)
- [Should Australian Family Offices listen to global investors' view on India](#)
- [Impact of IoT on Family Offices, Investments into IoT companies and a Snapshot of the Australia-India IoT space](#)
- [Global FO Trends and Where Australian Family Offices are Investing](#)





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