



Family Office Recruitment

Family Office Recruitment

Report 2014





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Welcome & Introduction

I'm delighted to welcome you to the Family Office Recruitment Report 2014.

The Family Office Recruitment Report 2014 is a global talent report focused on the key issues family offices face when it comes to the recruitment and retention of staff, including general trends, skill requirements, and salary levels, as well as best practices and other issues.

We address the broad spectrum of positions available, from the family office itself, through to personal and household staff.

The Report is of interest not only to family offices themselves, for whom talent is critical to their success, but also to recruitment firms, candidates, as well as those who serve as trusted advisors to family offices, or who work in the private wealth space, as demonstrated by over 5,000 downloads of the 2013 Report.

The family office world is a private one, and no two family offices are the same. Therefore, this Report should be viewed as a general guide to the sector. Each year, we build on the previous year's Report.

I would like to thank all those who have contributed, by providing either qualitative or quantitative contributions, as without your help this Report would not be possible. This includes, in particular, specialist family office search firms / recruitment agencies who have first-hand experience of working with both family offices and candidates – trusted advisors to family offices – and the Family Offices themselves, of which 75 took part in our anonymous survey.

I hope you find the Report useful, and you are welcome to contact me at the email below, and likewise, if you simply wish to register for our fortnightly e-newsletter.

Best wishes,

Vahe Vartanian

Founder & Managing Director

E: vahe@familyofficerecruitment.com





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Executive Summary

The Family Office Recruitment Report 2014 is a global talent report focused on the key issues family offices face when it comes to the recruitment and retention of staff, including general trends, skill requirements, and salary levels, as well as best practices and other issues.

We have considered several challenges the family office sector faces with regards to recruitment.

Although families share many challenges, it is apparent that not all family offices are the same, and each has its own issues, culture and mindset; typically this follows the personality and experience of the Head of the family office.

Aside from technical attributes, it is clear that family offices want to hire staff who will 'fit' in and adapt to working in an environment which is different from other organisations. Staff often need to be adaptable to fit in with the family, and with the family office culture.

It is generally agreed that Multi Family Offices provide more opportunities for career progression than Single or Virtual Family Offices. However, at the same time, staff can become disillusioned at Multi Family Offices, particularly if the needs of the families are not being met as the MFO has become too large, lost direction, or the original family has departed as it was not receiving the service it originally established the office to fulfill.

Additionally, due to this growth, job roles may change from relationship based to sales based, which does not suit everyone. Individuals often seek a return to a relationship based role within a Single or small Multi Family Office. A family office job tends to provide job security, a work / life balance, and offers the prestige of working for a particular family. It appears that salary levels have remained at a similar level for the past few years and will continue to do so.

Family offices grow organically rather than in a structured way, and it is necessary on occasion to evaluate the growth stage of the family office either internally or with the help of outside experts. A strategic review of the family office should be conducted, including an audit of the skills needed going forward, against what it presently has. Therefore, depending on the stage of development of a family office, the recruitment approach should vary, as skills requirements change. It is true that as skills requirements change, it may be difficult for the Head of the family office, who feels a loyalty to existing staff.

True family office talent is seen as rare, and much in demand, however, there is an abundance of experience and talent available from other sectors which family offices are turning to, and are willing to invest time in training. Key skills desired across most disciplines are cultural fit, discretion, appearance, commitment, and languages. Technology skills are also in demand, and this is where a generational gap emerges.

The importance of the need for family offices to outsource can clearly be seen. It is not essential, nor always possible, or economically viable for every function to be in-house.



Employee screening is important at the recruitment stage due to the sensitive nature of family office positions. Family offices should also be keenly aware of employment law requirements in their particular regions.

Talented individuals are always in demand, and there is strong optimism for more family office recruitment in 2014, as witnessed by the start to the year, and the number of jobs advertised on the FamilyOfficeRecruitment.com job board so far both by family offices and family office recruitment firms.



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FamilyOfficeRecruitment.com – What we do

FamilyOfficeRecruitment.com is a trusted global portal designed specifically for family offices, for recruitment, news and general supplier directories.

The website provides four key services:

1. Details of Specialist Approved Family Office Recruiters
2. A job board with the latest Family Office Vacancies
3. Family Office News
4. Family Office Supplier Directory, providing details to approved providers of other services and products to family offices outside of recruitment, such as legal, insurance, consultancy, etc.

Approved firms on the website have demonstrated to us a successful track record and high level of service, in working with family offices.

Initially set up to serve as a comprehensive information resource for careers and talent management in family offices, the portal later evolved into providing family office news and supplier directories upon demand from its family office community.

Family Office Recruitment is a business division of *Global Family Office Community*.



Global
Family Office Community

www.globalfamilyofficecommunity.com

As we have an overview of the family office recruitment market, we are able to produce this Report in conjunction with our community and network of specialist recruiters, family offices, and other partners, and collate all of this information with an independent viewpoint.



What is a Family Office?

To first produce a report on family offices, we should begin by defining what a family office is and what the typical talent needs of a family office are.

Family Office definitions have long been debated, but here is a general description:

Put simply, a family office takes many forms but is generally a structure or company that looks after a wealthy family's wealth and interests.

Typically, this will involve managing their investments, properties and structures, whilst also offering personal services such as managing household staff and making travel arrangements. On top of that, a traditional family office would also cover day-to-day accounting, payroll, tax services, legal affairs, charitable giving and succession planning.

Family offices work with extremely wealthy families, otherwise known as ultra-high net worth (UHNW), typically, it is said, with a net worth at least in excess of \$100 million. Generally, true family offices are very private organisations.

The purpose of a family office is to manage, preserve and increase the family's wealth for both current and future generations, whilst also providing for the family's day-to-day running costs.

Generally, the following types of family office are referred to:

Single Family Office - this is the name given to a structure that looks after just one family's wealth.

Multi Family Office - this is the name given to an organisation that looks after the wealth of multiple families.

Virtual Family Office – this is the name given to a group of advisors who look after the wealth of a number of similar families on an outsourced basis.



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Talent requirements within the Family Office

Family Office talent requirements are varied. These often depend on the strategy of the family office, its size and purpose.

The job functions within the family office can generally be thought of in two segments: financial and concierge.

The financial side focuses on the management and administration of a family's wealth, including investments. Key job functions here often include:

- Chief Executive Officer (CEO)
- Chief Investment Officer (CIO)
- Chief Operations Officer (COO)
- Chief Financial Officer (CFO).

Within or accompanying these key roles, is the need for Accountants, Tax Specialists, Financial Controllers, Analysts, Portfolio Managers, Investment Managers, Trust Officers, Wealth Planners, and so on.

The legal aspect is also important, and a family office could contain an in-house Counsel.

The family office would also typically have an administrator or personal assistant, and this could be just for the family office, or may also be at the disposal of the wider family.

The concierge side focuses on the 'softer' requirements a family might have, and looking after their personal affairs.

Typically, this would involve a Private Assistant for the family home, and Household Staff, including but not limited to Housekeepers, Estate Managers, Butlers, Valets, Chauffeurs, Gardeners, and Nannies.

The concierge element is also applicable for travel and lifestyle management, as well as physical assets the family might own apart from property, and often, yacht and private jet management crew are seen as part of the family office.

It should be noted that some of the job functions described above can be outsourced, a key issue we cover later in this Report.



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Job Function Definitions

With particular thanks to our Approved Family Office Recruiters for the definitions below, www.familyofficerecruitment.com/approved-family-office-recruiters

It should be noted that in many family offices, the duties below are combined into one role, and as no two family offices are the same, differing job functions will exist in different family offices. This should be taken as a guide.

Chief Executive Officer / Head of Family Office / Managing Director

In general, this person will run the family office and may be a family member or if hired externally, will report into the principal family shareholder. In a multi-family office, the role may have business acquisition / business development responsibilities.

Chief Investment Officer / Portfolio Manager

Typically determines investment strategies for the family's wealth, and will work with investment managers to implement these. Reports to the CEO.

Chief Operating Officer

This is normally a back office role, involving a multitude of duties from day-to-day office management, to responsibility for IT. Reports to the CEO.

Chief Financial Officer

Again, normally a back office role with responsibility for the management of the family office accounts, budgets, reports and analysis, tax returns and filing. Reports to the CEO.

Accountant / Bookkeeper / Controller

Responsible for day-to-day accounting, payments, tax returns, cash flows, bank reconciliations and reporting. Reports to the CFO.

Analyst

Conducts investment analysis and competitor intelligence. Reports to CIO.

Trust Officer

Administration of various trust, company and foundation structures on behalf of the beneficiaries of the family / families. Will liaise on a regular basis with end user client, third party intermediaries including lawyers, accountants and investment managers / bankers on the management and growth of the trust.

Wealth Planner

In conjunction with the banker / investment manager will identify client wealth, succession and estate planning needs and then, having determined where and what the assets are and for whose benefit will put together a trust, foundation, offshore company or insurance based solution. If covering multiple jurisdictions this solution may be a mix of all with a main trust on top of the structure.

**Business Development / Relationship Manager**

Usually a role found within a Multi Family Office which seeks to attract more families to join with them, and thereafter, to maintain those relationships.

Office Manager

Responsible for the day-to-day running of the office from an administrative viewpoint. The role may manage the HR function, office moves and fit outs, health and safety issues, stationery and suppliers.

Personal Assistant / Executive Assistant

Supporting the CEO / Head of Family Office and sometimes other members of the team. Tasks usually involve diary and travel management as well as administrative support, and they can also be involved in project support and personal work. Often the first point of contact, discretion and confidentiality are essential attributes.

Private Personal Assistant

Usually restricted to the Principal, a private PA is either based at the house or between the house and the office. Their sole duty is to look after personal affairs.

Lifestyle Manager

Sometimes an alternate title for a PA, but can additionally manage issues relating to health and well-being, education and lifestyle.

Project Assistant

Hired on a short-term contract or consultancy basis to ensure the success of a particular project such as property matters, events, social assimilation, new ventures, etc.

House Manager / Major Domo

Overall responsibility for the running of the household. A PA for the home, running it as smoothly as possible, includes responsibility for hiring and training other household staff, as well as administrative operations. Everything to do with the house.

Domestic Couples

Generally a married or long-term couple with no dependants who manage and run the home with a combination of skill sets including butler, chauffeur, cook, gardener, handyman, nanny, housekeeper, house manager and PA. Require self-contained accommodation within the grounds.

Butler

Traditionally responsible for the smooth running of the household. Modern-day butlers are required to multi-task and fulfill a combination of being a butler, chef, valet, chauffeur and travelling PA.

Chauffeur

Professional driver for the household or principal, also responsible for the care and maintenance of the car.

Valet

To take care of the gentleman of the house, including wardrobe, care of clothes and packing for traveling.



Ladies' Maid

To take care of the lady of the household, including wardrobe, care of clothes and packing for traveling.

Cook / Chef Chefs

Generally formally trained whilst cooks have gained their knowledge through experience. Prepare all daily meals for family, as well as for dinner parties and social events. Includes maintenance of the kitchen. Also required on yachts.

Housekeeper

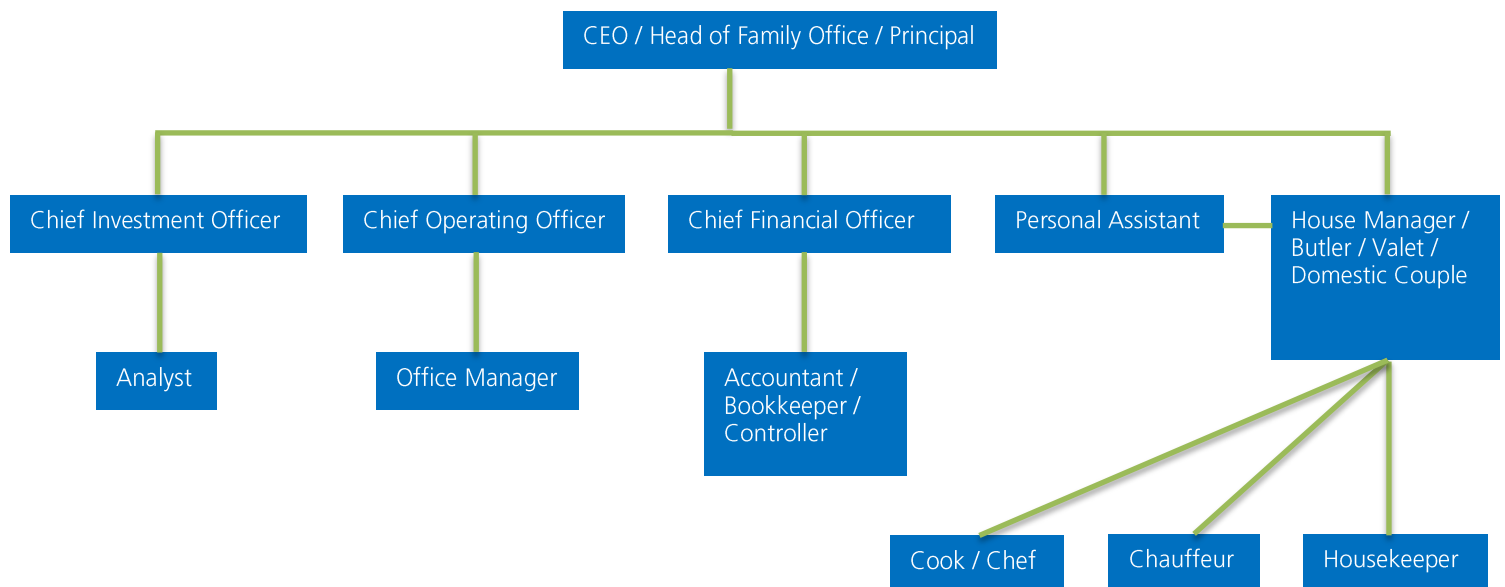
Responsible for all aspects of housekeeping and care of laundry.

Nanny

Responsible for taking care of the children and all aspects of the children's lives. Sometimes with additional PA or household duties when childcare is not required.

Other self-explanatory job functions include Gardener, Handyman, Laundress, Porter, Daily Cleaner, Security, Superyacht Captain and Stewardess.

Typical Family Office Staff Organization Chart





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Nannies - Governess - Tutors
PA's - Family Office staff
Private Air & Yacht crew

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Summary of 2013 Report

Here we summarize the key findings from the 2013 *Family Office Recruitment Report*. This is important as many of the findings are common and true for family offices over generations, so for this report and for future reports.

It is also important to remember that all family offices are different, and so whilst the report findings attempt to provide a general overview, they may not be applicable to all family offices. The famous quote within this sector is that *"once you have seen one family office, you have only seen one family office"*.

The Key Talent Challenges Family Offices Face

The key challenges that family offices face can be broadly categorized under 4 main headings:

1. Skills and Experience
2. The Search Process
3. Attraction and Retention
4. Strategic Review

1. Skills and Experience

Family Offices are often in agreement that finding true family office talent is rare. These are individuals who have true experience of working in family offices, typically single family offices or multi family offices that still represent the founding family.

The shortage of true family office talent, and more significantly, available family office talent is perhaps unsurprising when considering that:

- family offices are usually small organizations and therefore do not generally hire in large quantities (so few individuals have experience of working in a family office in the first place)
- there are not many family offices globally (although rapidly increasing), and it is a small sector compared to others
- staff tend to stay in their positions for long periods of time, (often described as a job for life), so talent does not become readily available. In fact, opportunities within a single family office for example, may only become available in instances where the current incumbent is retiring or the family has decided to relocate.

This can often lead to family offices looking outside of their sector for staff.



When looking outside of their sector, family offices face the challenge of potential employees not truly understanding the family office environment, which is completely different to that of a corporate organisation.

Every decision taken should be in the best interests of the family. This obviously involves working closely with the family, and it is extremely important to have a good relationship with the head of family, siblings, and other family members, as well as the ability to manage some of the family dynamics that can arise. It takes a special person to do everything in the best interests of the family they are employed by, rather than for their own personal gain.

Whilst individuals may have the necessary technical skills, they may not necessarily have the soft skills, i.e. the temperament or the cultural fit to work within a family office environment.

'Fit' is an extremely significant factor for family offices when hiring. There needs to be a personality match, a cultural match, a work-ethic match, and on the investment side, an investment mentality match, with family offices typically being more risk averse.

When discussing 'fit', family offices often refer to the following:



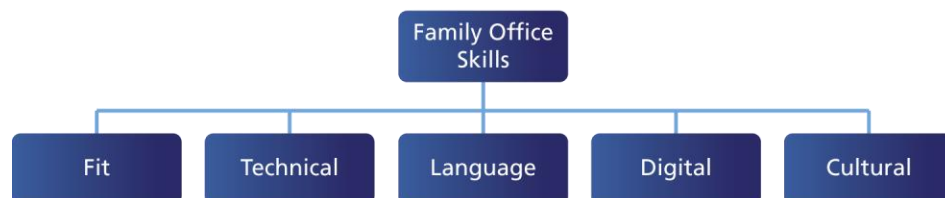
It has been suggested that personality testing would be a useful tool for both the Head of the Family Office as well as the new potential employee, whether a family member or non-family member. This should help when deciding whether the two can work together, or whether their different personalities or outlooks would cause a clash.

Asides from the issue of 'fit', the following skills are in demand throughout the range of different family offices roles:

- **Technical** – financial roles within a family office require the relevant qualifications dependant on region / country that that particular discipline requires. These range from investment certificates, exams, and tests through to chartered accountancy or tax specialists. The same applies for in-house legal roles. For other positions, suitable experience is essential.



- **Languages** – a desirable skill for a variety of reasons, including the fact that the family may have assets in various locations. In addition, the family may originate from a non-English speaking country so speaking their language will make communication easier; as well as the ability to assist them if they are not fluent in speaking English themselves, or should they need help on tasks such as business writing / important documents.
- **Digital** – now seen as essential, from the basics of Microsoft Word and Excel to the use of mobile technology, and connecting instantaneously on smart phones – the use of Cloud software and database systems and various other software. On some occasions, a generational gap is evident with regards to the level of competency, but those holding such skills are seen as being essential to work in almost any capacity at a family office.
- **Cultural** – an understanding of different cultures, what is and is not permitted, and how to behave and act in various circumstances, both social and business. Appearance and dressing appropriately is also important.



Assuming the skills above are evident, and the appropriate education and qualifications are in place, some family offices, particularly multi-family offices, take the approach there is an abundance of experience and talent available from other sectors, as long as the family office is willing to invest time in training internally and the fit is good.

If seeking external family office specific training programs, a word of caution:

“There is not specific training for working in a family office, largely because there is no one recognized regulating body. As of late there are several companies that have introduced so-called training programs aimed at those wishing to work in family offices. It’s important to note that taking courses or / and getting a certificate is nothing more than a promotional or money-making scheme aimed at unsuspecting newcomers to the family office business, and will not carry any weight with a family office. In fact, you might find it counts against you.”

Steffi Claiden, Founder & Editor-in-Chief, Family Office Review

Other sectors that family offices look to for talent include asset management, hedge funds, wealth advisory, wealth planning, trust and fiduciary, private equity, private banking, and commerce. In some cases, the family office may hire individuals that they already work with, such as an asset manager or a portfolio manager, who they feel comfortable with.

Personal Assistants are preferred from private houses, professional services, the finance sector, if they have worked with an entrepreneur before, the travel sector, the art world, or another sector depending on the interests of the family.



Household staff are preferred from Royal Households, or those experienced working with other similar families, as well as the hospitality industry.

2. The Search Process

When looking to hire a new family office executive, the search process more often than not would initially be through word-of-mouth. The family office would explore whether they know a contact / connection who could fill the role. This might be a current service provider they work with, a friend, or past colleagues who they know, trust and feel comfortable with.

Should this route fail, the family office will seek external help and look to employ the services of a search firm / headhunter / recruitment agency. When using a search firm, trust is key, so make sure to use a firm with the right experience and reputation. To see a list of approved family office recruiters, you can visit: www.familyofficerecruitment.com/approved-family-office-recruiters

Family offices should refrain from using multiple recruitment firms to help with their search. Similar to other suppliers they work with, family offices should see recruitment firms as trusted advisors, and endeavour to work closely with them in a targeted way, to understand their requirements and their culture, to find the right people for their office. Top family office talent will also appreciate the family office working with a single trusted recruitment advisor, as working with multiple recruiters could give the impression that a family office is struggling to source talent, may not take confidentiality seriously, or may even have a high turnover of staff.

Recruitment firms are there to advise throughout the recruitment process, and family offices should work closely with them from the start, in putting together job descriptions, setting targets and deciding on salary levels. Detailed and accurate job descriptions are very important, and can not only help with the search process, but also set a candidate's expectations. Sadly, some family offices still do not have detailed job descriptions.

Management time is a key issue, and finding a new employee takes up a lot of it. This is a heavy burden on Single Family Offices in particular, as finding the perfect candidate with all the necessary skills and fit, takes some time. This is another reason why family offices sometimes employ search firms.

Length of time to hire someone is another consideration within this. The trend is that family offices are willing to take their time when making hiring decisions. It is difficult to say whether this is a new trend with the recent economic climate, or whether this has always been the case with family offices. Our sense is that it is the latter. What is clear however, is that family offices want to be absolutely certain they are hiring the best person for the job, even if it takes longer to make an appointment.

Hiring with the family office can take anywhere from a couple of weeks to four years, demonstrating that family offices want to be very comfortable they can trust their new employee.

Of course, there are differences depending on the position. Personal Assistant vacancies can take anywhere from just a few days to up to nine months. Household staff positions can take anywhere from one month to up to a year.



3. Attraction and Retention

The size of family offices leads to the next key issue, which is in relation to offering staff a career path.

It can be hard for family offices to offer a career path due to their size, and therefore, it is tough for them to attract / retain certain individuals. However, each family office tackles this issue differently.

This is where a key difference between Single Family Offices and Multi Family Offices is apparent. It is generally agreed that Multi Family Offices can offer individuals more career progression AND VARIETY than Single Family Offices, due to the fact that they are typically larger organisations and therefore have more internal opportunities available.

Others use this as an argument for preferring multi family offices, as more talent can be pooled together, and if one person leaves, it won't affect them as much as it would a single family office.

That said it is also true that staff can become disillusioned at Multi Family Offices, particularly if the needs of the families are not being met; perhaps the MFO has become too large, has lost direction, or the founding family has departed as it was not receiving the service it originally established the office to fulfil.

Additionally, due to this growth, job roles may change from relationship based to sales based, which does not suit everyone. Individuals often seek a return to a relationship based role either within a Single Family Office or smaller Multi Family Office.

A few key themes emerge, noticeably in relation to:

- Work environment
- Job stability
- Pay
- Prestige

Work Environments are varied and can either be seen as a positive or negative dependant on the outlook of the staff member. Typically family office jobs would suit individuals looking to step away from the corporate ladder. Single Family Offices in particular tend to have small offices, rather than the larger offices of corporates. It goes without saying there are less staff to interact with. It can be a lonely business at times, and that is why Family Office Executives value forums such as the *Global Family Office Community* as an opportunity to share ideas and meet peers. Hours of work can be more flexible, but they can also be long and often at the beck and call of the family no matter the time of day. It can be a lonely business at times.

Job Stability is a positive of working within a family office. Longevity relies on how close the relationship is with the family, the level of trust, and how much personalities match. The family does not want to regularly change its trusted advisors, so this means staff are often in secure roles. It is certainly true that individuals remain in family office jobs for long periods of time, which is one of the reasons why it is hard to find family office talent. Often, staff become, and are treated, as part of the family.



Pay is always a key factor in any job, and whilst family office staff tend to be well remunerated, money should not be the candidates' main driving force in wanting to work for a family office.

Prestige of working for a successful family and the association is often a draw and helps with candidate attraction. However, different generations of the family may have different work-ethic mentalities and styles. It is often commented that the first generation can be better to work with as they are more active and hands-on as they have made the money, whilst generations further down the line can be more passive. However, such a sweeping generalization can be unfair.

4. Strategic Review

Skills need to be continually assessed, and much depends on the life stage of a family office. Family offices typically grow organically rather than in a structured way, and it is necessary on occasion to evaluate the growth stage of the family office.

This lack of initial strategic or on-going planning generally leads to a lack of structure and employees not having clearly defined job descriptions, which can affect recruitment.

From time to time, a strategic review of the family office should be conducted, including an audit of the skills needed going forward, against what it presently has. Therefore, depending on the stage of development of a family office, its aims and ambitions, the recruitment approach should vary, as skills requirements change. However, it can be difficult for the Head of the Family Office to implement due to loyalty to existing staff, or an unwillingness to look on strategic change as a necessary development rather than a past failure.

Recruitment should also be seen as part of the family office's succession strategy. Whether the head of the family currently running the family office is thinking of stepping down, or likewise an external expert running the family office, succession is an issue that needs to be taken seriously. The head of the family may decide to step down due to old age for example, and an individual external to the family acting as CEO, may be moving to pastures new.

If a family member is not taking over the running of the family office, then there is the need to look externally. Even if it is a family member taking over, it is important to ensure that person has the appropriate skills in their armoury to take on such an undertaking. On some occasions, an external expert is brought in alongside the new family member to complement their skills.

In some cultures, when a patriarch steps aside, he would task his son with the running of the family office. However, we are now seeing the emergence of patriarchs who are handing over to their daughters. This is seen as a positive step, and patriarchs are taking steps to ensure that women are comfortable in taking on this role.

The issue of a family office being run by family members versus outside experts is always an important decision. Whichever route the family office decides to take, it needs to be planned in advance, and ensured that there is enough of a handover period. Once again, 'fit' is particularly important, especially if an external employee will be working with a new member of the family, rather than the older patriarch for example, as the new family member may wish to work in a different way or have different ideas.

It is not always easy for the family member either, as although they have the benefit of not being fired, they will often have to hear about it from other family members at family gatherings.



Findings of 2014 Report

Findings of the 2014 Report are detailed below and broken up into 4 sections; Outsourcing, Employee Screening, Employment Law and the 2014 Survey Results which consists of responses to the Family Office Survey and the Family Office Recruiters Survey.

Outsourcing

Jobs within the Family Office that cannot be carried out internally either due to a lack of resource / capacity, or a lack of expertise, are often outsourced.

Service providers are therefore key to a family office. These providers normally demonstrate experience working with family offices, as well as a high level of service. They can become trusted advisors. However, family offices should be wary of consulting too many different sources, and need to be sure to check their credentials.

Examples of work that can be outsourced include accountancy, legal, philanthropy, research, due diligence, and concierge services, to name but a few.

To provide an example, we can look to Research and the use of External Investment Research Providers:

“Having the right research is vital for a family office that is considering making a direct investment in a company. However, family offices may not always have the expertise that they need to do this work in-house. This is where external research resources can be useful. The independent research sector, in particular, can offer several benefits, including highly personalised attention for family offices, in-depth expertise, specialised services such as bespoke research, and a lack of conflicts of interest with any corporate finance or trading operations. Family offices may want to consider contracting the services of independent research firms when they need high quality, unbiased research to help inform their investment decisions.”

Gillian Elcock, Founder & Managing Director, Denny Ellison



Employee Screening

Employees within the Family Office often have access to the key documents, bank accounts, homes and personal possessions of the family.

Therefore, it is extremely important for the Family Office to carry out a full background check at the interview stage, and before making the job offer.

"The greatest risk to any organisation, no matter how large or how small, is the enemy within, i.e. the apparently trusted and loyal employee or adviser who is secretly working against you. In short, an untested employee or adviser can present a massive threat to your physical security, information security, assets and investments. It is a risk too far, which many UHNW employers continue to take but which, paradoxically, is easily and cost-effectively avoided. It follows that the most important preventive steps for any HNW individual or family is professional pre-employment screening of potential domestic employees, prior to them taking up position and having access and in-depth due diligence of professional advisers, particularly those looking after investments. That small investment in professional screening is of immeasurable value when compared to the pain, heartache and financial loss that can emanate from a poor recruitment / advisory choice. Screening, in any environment, is not a matter for HR, named referees or gut feeling. Do not leave it to chance – professional screening is the only real answer."

George McKillop, Managing Director, Haymarket Risk Management Ltd

Résumé / CV Liars:

"If unchecked, the potential consequences of allowing a CV liar into your office includes; damage to reputation, instances of fraud and or / theft and a failure in your duty of care to protect colleagues."

Michael Whittington, Head of Employee Screening, The Risk Advisory Group plc

Illegal Workers:

"Over the years there has been a steady rise in illegal workers entering the jobs market. It remains the responsibility of the employer to satisfy themselves that documents presented as proof of right to work are genuine, have not been tampered with, and belong to the holder."

"Employee screening is a crucial part of the recruitment process. By completing independent checks on the credentials of all new employees, Family Offices can reduce their risk against undesirable hires"

Michael Whittington, Head of Employee Screening, The Risk Advisory Group plc



Employee screening is even more crucial in today's digital age:

"Much of our private lives is now hidden behind usernames and passwords on the Internet which can be easily accessed and potentially abused by unscrupulous employees. 'Trust' is a key issue so it is worth making sure that your candidates don't have a dishonest history. You may need to share access to your emails, social media accounts or online bank accounts and the truth is that it's becoming increasingly easy for employees to be discreetly deceitful. It is all about staff vetting, internal security procedures and staff awareness.

The key risks to family offices are normally either Financial or Reputational.

The following screening areas may be applicable when a Family Office is seeking to do a background check on a new hire:

- *Criminal Record Check*
- *Reference Checks*
- *Employment Verification*
- *Gap Verification*
- *Credit Enquiry*
- *Right To Work Verification*
- *Education Verification*
- *Credentials Verification*
- *Public Safety Verification."*

James Tamblin, Partner, Marclay Associates



Employment Law

Family Offices, as with any other employer, need to be aware of Employment Law and the legal issues around hiring staff. In a larger organization, or in most family offices, there is usually an HR member of staff who would deal with this, but often, HR staff do not exist in Single Family Offices and the responsibility falls to the Head of the Family Office or Operations Director, who should make themselves familiar with the employment law in their country, or seek guidance from an external specialist legal counsel.

Thank you to Timothy Lappen, Founder and Chairman of the Family Office Group at the US and mainly Californian law firm Jeffers Mangels Butler & Mitchell, LLP for providing the considerations below, which should not be taken as legal advice, but merely to touch on some of the most critical issues. Please note that considerations will change depending on the country your family office is located in.

Here are the main legal issues involving the working relationship:

Employment Application: laws circumscribe what can and cannot be inquired into by prospective employers. "It can't hurt" is not accurate when asking impermissible questions (for example, "Have you ever been arrested" is not permitted when one is innocent until proven guilty).

Pre-hiring Screening: what can the employer ask others to find out about the prospective employee? Privacy laws and other protections are very clear about what pre-inquiry written consents are needed from the prospective employee and, even then, typically limit what information may be gathered, how long it can be retained, how it can be used, and so forth.

Employee or Independent Contractor: this typically is not a decision made by the employer or employee; it is determined by statutory guidance, depending on the actual duties and certain other legal criteria. (Some employers mistakenly believe that they simply can categorize everyone as an independent contractor, apparently in order to achieve some benefit to the employer, like not having to pay overtime wages).

If employee, full-time or part-time – this designation can bring up different labor laws which can impact pay scales, benefits and other important matters.

If independent contractor, what insurance is in place to protect all parties, who pays for it, etc.

Do the worker's duties involve working for the family office business or for the family's personal matters, such as household work – this can impact issues such as worker's compensation average, wage-and-hour issues (pertaining to required hourly pay, breaks etc.) and other considerations.

At-will or Term Employee: many positions for family workers are at-will, meaning that either party may end the relationship at any time, and the agreement may include a required notice period (like two weeks). There are positive and negative aspects of at-will and term agreements so the parties need to carefully consider for which type of agreement they will bargain.

Employment / Independent Contractor Agreement: a written agreement, even for an at-will employee or an independent contractor, is very useful as it spells out exactly what are the terms



of the parties' agreement. If there's ever a dispute and there's nothing in writing, the parties may have to resort to a trial in order to achieve a resolution.

Non-Disclosure (Confidentiality) Agreement: while the jurisdiction of the job may provide some rights to privacy, those rights often are far less than what employers may think they are. In any event, such an agreement would spell out what the parties agree is confidential, provide for certain legal rights (like temporary restraining orders, injunctions and the like) and would make clear that such protections would not expire when the employment period ends.

Performance Reviews: especially if there are problems with the worker's performance, having regularly-scheduled performance reviews for all workers is a great asset to an employer having to defend a wrongful termination claim. Note that even at-will employees may have valid claims if the employer acts for an improper purpose, such as discrimination (age, sex, religion, etc.), retaliation (because the worker was a "whistle blower" or other reason which may legally preclude the employer's behavior.

Separation Agreements: when the relationship ends, such agreement can make certain that the employee will not later return, with an attorney, to claim some type of discrimination, underpayment of wages, lack of mandatory rest periods or other claim which would long survive the end of the working relationship. The separation agreement also can reiterate that the non-disclosure agreement remains in full effect.

This is a very broad overview of only a very few of the labor considerations which are important for family offices to research. Please consult your own advisors before proceeding with any employment-related actions.



2014 Survey Results

Family Office Survey

For this 2014 report, we surveyed family offices with ten questions and received responses from 75 family offices of which 48 (64%) are Single Family Offices and 27 (36%) are Multi Family Offices.

We thank the family offices who took part in the survey, and we also understand that others who wanted to take part could not do so due to confidentiality purposes, but thank you for your informal insight.

All results are shown below as anonymous to protect the identity of the family offices.

Of the 75 family office respondents, 24% are based in the US, 68% are based in Europe and 8% in the Middle East.

As an aside, one trend, which will be interesting to keep an eye on, is the location of family offices. The majority of the world's family offices tend to be located across the USA and Europe. There has been, and there will continue to be, a growth of family offices across other areas such as the Middle East, Asia and South America, particularly when the concept of a family office is better understood in those regions. As there are more and more wealthier people in these regions, it is natural new family offices will be formed. It will be interesting to see how these family offices grow and the recruitment needs they will have.

1. How Many Staff Are There In Your Family Office?

Single Family Offices told us they had from 1 staff through to 7 staff members. The most common range was from 1 to 3 people.

Multi Family Offices told us they had from 2 staff through to 300 staff members. There is no common number for the number of staff in a Multi Family Office and all vary greatly.

2. Have You Hired Any New Staff In The Past 12 Months?

70% of the family offices had hired a new staff member in the past 12 months in a wide ranging number of positions.

Single Family Offices reported they had hired Advisors, but most hires were focused around Administrative help and Personal Assistants, as well as household roles such as Cooks, Butlers and Estate Managers. For all, there was no change in the most senior positions.



Multi Family Offices reported they had hired Advisors, Analysts and Portfolio Managers. Relationship Managers and Business Development Managers were another key hire as they seek to grow the number of families they work with. They also hired Administrative help.

Interestingly, almost 80% of the roles hired for were replacement roles, whilst the remainder were newly created roles, although these were mostly for Business Development Managers within Multi Family Offices.

60% of hiring family offices said they found it 'hard' to find new talent, especially for people with true family office experience, but a common comment was that they are prepared to wait for the right talent. Others find it easier to hire raw talent and to provide training for them.

The majority of family offices use both recruitment firms and direct methods to find staff. If taking the direct route, the most common channels are Word-Of-Mouth, Personal Recommendations, Advertising on Job Websites and using LinkedIn. Most did comment that they found FamilyOfficeRecruitment.com a useful resource.

3. What Is Your Typical Turnover Of Staff?

It is clearly apparent that family offices generally have a low turnover of staff, particularly, in the most senior positions once they have found their trusted advisor. It is often commented that family office jobs are jobs for life, as staff become a key part of the family and are highly valued and trusted advisors who know the family inside-out and its affairs inside-out. Personal Assistants also enjoy job longevity.

From our survey, 3 years was the shortest time mentioned, whilst longest serving staff members were with family offices for over 20 years. To reflect this, some family offices simply just wrote '*a long time*' or '*forever as part of family*'. The shorter periods of service were mainly from those working in Multi-Family Offices.

4. Do You Hire Graduates?

With the economic situation having an effect on recent graduates, we asked whether family offices actually did seek this pool of talent for employment.

A fairly even split, and good news for graduates, as 48% said that they did, whilst 52% said that they didn't.

In terms of skills, Family Offices want graduates who have Business degrees. Economics degrees and Masters degrees are also in demand.

5. How Long Does It Take To Hire A New Staff Member?

The length of time it takes a family office to hire a new member of staff varies greatly depending on the position they are recruiting for.



Office administration roles are often filled within weeks or a matter of 1-2 months, whereas more senior family office vacancies can take from 3 months and above, whilst it is common to see the process take longer than 12 months. Family offices take great care in hiring their most trusted advisors. The importance is understood when most of these will have access to their most personal information.

The minimum number of interviews conducted is 2, whilst the highest number given is 10. Most family offices average between 3-4 interviews.

During the recruitment process, candidates will normally be asked to meet with the whole team.

6. What Are The Key Attributes You Look For When Hiring Staff?

Responses generally reflect what we know to be true for the family offices. They seek staff who have a good attitude, experience, aptitude, personality, competence, and flexibility.

Multi-Family Offices also seek candidates who have good contacts / black-book, who can bring them more clients.

7. Who Is In Charge Of The Recruitment Process?

Typically in Single Family Offices, the Head of the family office / CEO is in charge of the hiring process as there isn't an HR function. Multi-family offices are more likely to have an HR function which is responsible.

Single Family Offices often seek external consulting / advice for HR and legal issues surrounding the hiring of staff.

8. Asides from Salary, What Benefits Do You Offer?

The majority of family offices offer a combination of the following to their employees: Medical / Health Insurance, Company Car, Bonus, Holidays and Pension.

9. Salary Levels

We come to this in the next section

10. Do You Plan To Hire New Staff in 2014?

40% of family offices do plan to hire in 2014, in positions ranging from Advisors to Legal Advisors to Administrative roles and for Multi Family Offices, Business Development and Client Relationship Management roles.



44% do not plan to hire any staff, and the majority of these are Single Family Offices, whilst the remaining 16% are unsure.

Family Office Recruiters Survey

For this 2014 report, we also surveyed head-hunters and recruiters who work with family offices, to compare their answers with those of family offices.

I would like to thank all of the Approved Family Office Recruiters who took part in the survey. Approved Family Office Recruiters can be seen by following this link:
www.familyofficerecruitment.com/approved-family-office-recruiters

1. What Family Office Jobs Did You Recruit For in 2013?

For the Family Office itself, Family Office Recruiters recruited for: Chief Investment Officers, Trust & Fiduciary Officers, In House Legal Counsel, Accountants / Financial Controllers, Office Managers, 1 Head of Family Office, Executive Assistant, Personal Assistants and Receptionist and Administrative Staff.

For the Household, position filled include: House Manager, Estate Manager, Private Household Assistant, Travelling Assistant, Multi-Residence Manager, Charity Coordinator, Art Collection Manager, Butlers, Valets, Housekeepers, Chefs, Executive Chefs, Chief of Staff, Chauffeur, and Maids.

2. Were these newly created positions or replacement roles?

Recruiters reported that for the Family Office roles these were mostly newly created roles. One recruiter, ThatcherMacKenzie, said 80% were newly created positions.

Recruiters reported for Household positions that these were mainly replacement roles.

SORTED Personal Management have noticed an increasing trend by family offices to hire Project Managers. This is a cost-effective method for family offices to hire staff on short-term contracts to help with specific projects. Such projects may include property matters such as search, renovation, interior design or relocation, or other projects such as organising events, ventures, or PR campaigns.

3. In Which Locations Have Your Recruited?

Recruiters filled family offices vacancies in (alphabetical order): Hong Kong, Jersey, Jordan, Liechtenstein, Luxembourg, Monaco and South of France, Qatar, Saudi Arabia, Singapore, Switzerland, UAE, UK, and USA (California, Florida, New York).



4. What are the Nationalities of the Families you have Hired for?

Recruiters worked with families with the following nationalities (in alphabetical order): African, American, Arabic, Brazilian, British, Chinese, Columbian, French, Italian, Mexican, Russian and South African.

5. Have you Hired for any Newly Set Up Family Offices?

All recruiters hired for a combination of both single and multi-family offices, whilst only Agreus hired only for Single Family Offices.

All but 2 of the recruiters had hired for newly set up family offices. Each recruiter had hired for 2 newly set up family offices, usually in London, although 1 was in Jersey. This reflects the view that London is becoming an international hub for family offices and is seeing the most growth of newly-created family offices.

6. Do Private Banks Desire Family Office Talent?

Recruiters believe that private banks are keen to develop their family office services with staff who have experience of the family office sector. This has predominantly been seen for business development roles.

7. Prediction of Hiring Activity in 2014?

All recruiters believe there will be an increase in hiring activity in 2014 due to economic recoveries and more new family offices being created.



Salary Levels

Family Offices and Approved Family Office Recruiters were both surveyed on salary levels. Whilst all family offices were not able to complete this part of the survey due to confidentiality reasons, we are able to provide a good overview picture from those who did respond, as well as from the head-hunters and recruiters they work with.

Firstly, we would like to focus on the issue of bonuses which is often a grey area when it comes to family offices. Trying to standardise the varying degrees of bonus that family offices offer is not easy to do, but we offer the following as our best effort.

Bonuses are usually discretionary and vary depending on the family, purpose of family offices, and size of assets. For jobs within the family office itself, functional based roles will tend to pay a fixed bonus of around 10 - 20% of basic salary. Very few family offices offer a guaranteed bonus. Investment based roles vary greatly, with some family offices paying on the performance of the investments, including in private equity deals, with some paying up to 30% of the revenue, and others can pay up to 100% of salary, but it seems more normally in the range 25% - 75%. Senior staff members also often have share options.

Bonuses for support staff are also usually discretionary rather than fixed, with the percentage ranging from 15% - 30% of salary. This is typically higher than found for similar jobs in other sectors.

Most popular for household staff is usually for them to receive a bonus equivalent to 1 month's salary. It is very hard to make household bonuses performance related unless they are responsible for budgets and therefore, it is often at the discretion of the family's opinion of their performance. Bonuses can often be paid at Christmas.

Salaries

Once again, trying to standardise the varying degrees of salary that family offices offer is not easy to do, as all family offices are different, and also pay differently in different locations, but we offer the following to our best effort. Please take the ranges below as a guide.

As an aside, it is also worth mentioning at this point that in general, we have found that new-money (new wealth) family offices are more likely to pay higher salaries than established family offices.

Regionally, the common consensus is that the US family offices generally pay the highest salaries.

From our survey we have found the following base salary ranges:

Chief Executive Officer / Head of Family Office - UK range: £100,000 - £500,000 per annum, which is generally reflected across all regions. The US can pay up to \$1M per annum.

Chief Investment Officer – UK range: £100,000 - £250,000 per annum, which is generally reflected across all regions. The US again can pay up to \$1M per annum.



Chief Operating Officer – UK range: £60,000 - £250,000 per annum, which is generally reflected across all regions. The US can pay up to \$600,000 per annum.

Chief Financial Officer – UK range: £60,000 - £250,000 per annum, which is generally reflected across all regions. The US can pay up to \$600,000 per annum. Lower ranked accountants and financial controllers are paid from £30,000 - £55,000 per annum.

External Advisors to Family Offices – a huge variety depending on the family office. Can range from £80,000 in the UK to \$400,000 in the US per annum.

In-house Legal Advisor – not enough data to be certain and depends on seniority, but seems to range in the UK £40,000 - £150,000 per annum

Personal Assistant - UK range: £35,000 - £100,000 per annum, which is generally reflected across all regions.

IT Support – UK range £20,000 - £50,000 per annum, which is generally reflected across all regions.

Project Manager – UK range £10,000 - £15,000 per month

Butlers - £15,000 – £45,000 per annum

Estate Managers - £50,000 - £100,000 per annum

Housekeepers - £18,000 - £45,000 per annum

Ladies Maids - £35,000 - £45,000 per annum

Chauffeurs - £30,000 - £50,000 per annum

Chefs - £20,000 - £70,000 per annum



Conclusions

We have considered several challenges the family office sector faces with regards to recruitment.

Although families share many challenges, it is apparent that not all family offices are the same, and each has its own issues, culture and mindset; typically this follows the personality and experience of the Head of the family office.

Aside from technical attributes, it is clear that family offices want to hire staff who will 'fit' in and adapt to working in an environment which is different from other organisations. Staff often need to be adaptable to fit in with the family, and with the family office culture.

It is generally agreed that Multi Family Offices provide more opportunities for career progression than Single or Virtual Family Offices. However, at the same time, staff can become disillusioned at Multi Family Offices, particularly if the needs of the families are not being met as the MFO has become too large, lost direction, or the original family has departed as it was not receiving the service it originally established the office to fulfill.

Additionally, due to this growth, job roles may change from relationship based to sales based, which does not suit everyone. Individuals often seek a return to a relationship based role within a Single or small Multi Family Office. A family office job tends to provide job security, a work / life balance, and offers the prestige of working for a particular family. It appears that salary levels have remained at a similar level for the past few years and will continue to do so.

Family offices grow organically rather than in a structured way, and it is necessary on occasion to evaluate the growth stage of the family office either internally or with the help of outside experts. A strategic review of the family office should be conducted, including an audit of the skills needed going forward, against what it presently has. Therefore, depending on the stage of development of a family office, the recruitment approach should vary, as skills requirements change. It is true that as skills requirements change, it may be difficult for the Head of the family office, who feels a loyalty to existing staff.

True family office talent is seen as rare, and much in demand, however, there is an abundance of experience and talent available from other sectors which family offices are turning to, and are willing to invest time in training. Key skills desired across most disciplines are cultural fit, discretion, appearance, commitment, and languages. Technology skills are also in demand, and this is where a generational gap emerges.

The importance of the need for family offices to outsource can clearly be seen. It is not essential, always possible, or economically viable for every function to be in-house.



Employee screening is important at the recruitment stage due to the sensitive nature of family office positions. Family offices should also be keenly aware of employment law requirements in their particular regions.

Talented individuals are always in demand, and there is strong optimism for more family office recruitment in 2014, as witnessed by the start to the year, and the number of jobs advertised on the FamilyOfficeRecruitment.com job board so far both by family offices and family office recruitment firms.



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