

## **Issues Faced by Families and Individuals having wealth**

Members of affluent families and successful entrepreneurs are typically busy people with complex lives and financial affairs. As wealth increases, personal activities and interests expand, new entities form and new generations enter the picture. Before long, wealth owners can find themselves interacting with more than 20 different professionals who provide a broad range of services. These include specialists who help them manage businesses and investments; buy, sell and protect physical assets; address tax and legal challenges; and plan for multi-generational needs.

It takes time and energy to collect, organize and assess the information required to manage wealth effectively, and too often these responsibilities mean less time to enjoy the benefits of wealth. The challenge may grow more acute with proposed legislation that could intensify compliance, recordkeeping and reporting requirements—and make family wealth even more costly and time consuming to manage.

Beyond time, each family has unique preferences, dynamics and fundamental requirements, and it takes experience and perspective to offer objective advice on the different circumstances that arise. For example, planning often extends beyond the wealth owner and on to multiple entities and generations. Each entity and generation requires a different asset allocation strategy, and individual family members may hold their assets in different locations. In addition, each family entity typically adheres to its own investment policy and asset allocation strategy and has its own reporting and tax filing requirements. All of these moving pieces require careful and proactive management. At the same time, it's critical to consider the larger picture of wealth preservation so assets can continue to serve a growing family.

To address this complexity, many families require a financial guide who can look across silos and understand how all the interdependent parts operate. This guide can bring together an advisory team with diverse expertise to organize and report on the family's comprehensive activities, and can ensure they are well coordinated and integrated with one another.

In an environment full of global risks, families also place a high priority on privacy, discretion, trust and asset protection. Given the availability of public and personal information on the internet, families should consider all options to protect their privacy. For example, when purchasing and selling assets many use specific entities to shield the family's identity from the public domain. An experienced family office professional can actively plan to protect assets and pre-empt outside exposure. Such privacy concerns are especially important at a time when regulators are applying greater scrutiny to ultra affluent taxpayers and the financial institutions serving them.

Proposed regulatory changes could mandate even greater disclosure of confidential family information. These issues are difficult enough without the additional challenges of the current economic and regulatory environment. A period of high volatility and weak relative returns, culminating with a severe economic downturn, has made revisiting asset allocation a



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priority. These events have led families to rethink their long- and shortterm investment strategies and to have a better understanding of the underlying risk embedded in their portfolios. In some cases these risks have also created short-term liquidity problems and a low- or no-return environment that may have prompted lifestyle adjustments.