

Family offices are increasingly popular in Asia. In addition to helping plan the vehicle structure, professional trustees can provide even more value.

Family office is a term yet to acquire a definition, but generally represents a platform (sometimes a separate entity, and sometimes a unit within a family business) to deal with the financial and other matters of an ultra-high net worth family.

This concept has been prevalent in the United States and Europe for some time, and is becoming increasingly popular in Asia as the number of ultra-high net worth families surge and their demand for wealth management, family planning and other related services gets more complex.

Depending on the tax and regulatory environment and the actual needs of the family, a family office can be structured with different vehicles.

## Choosing Between Vehicles

The choice between using a service company or a private trust company as the family office vehicle depends on numerous factors. Both forms of vehicle have their own merits, and one is not better than the other.

Investment-centric family offices are usually in the form of a service or advisory company. Its primary function is to provide management or advisory services to the family with respect to its internal funds and/or external investments through private banks, asset managers and fund of funds.

A private trust company plays a different role from that of a service company. Its responsibility is to act as a trustee of one or more family trusts dedicated to the family. Its tasks and functions, therefore, will be around the administration of those trusts and the various committees created under the trust documents and family constitutions.

Trust practitioners tend to associate family offices with private trust companies because the types of family office they deal with usually do not focus on investment functions, but rather on the management of the trusts and family governance mechanism prescribed in trust documents. In fact, when talking to trust practitioners about "family office", their initial reaction is very consistent: "oh, so you are talking about a private trust company?"

## How to Operate Your Family Office

People often ask whether family offices compete with external service providers such as banks and professional trustees; and how independent trustees can be integrated into private trust companies to provide a broader wealth of expertise. With a private trust company as the family office vehicle, as opposed to a service company, the family does have more control and flexibility over the type of assets to be held under the family trust and the management and administration. However, no family office exists in isolation. A private trust company, for instance, works best when it receives guidance and support and uses services provided by professional trustees.

An independent trustee can add value to the operation of the private trust company and thus the family office by assisting with the compilation of trust accounts and various kinds of reports and other general administrative duties of the family office. Such services can include the provision of registered office, corporate services, bill paying, bank account opening and maintenance, and document and record management.

If the family office chooses also to run internal funds and oversee external investments, the independent trustee can add value by handling fund administration and assisting the gatekeepers in monitoring the performance of external investment managers.

On some occasions, the independent trustee also provides a director for the private trust company to assist the family office with its operation and compliance effort. A family office with a close working relationship with an independent trustee will benefit from the steady availability of market, regulatory, law, tax intelligence, updates on disclosure requirements, and referral of a ready and tested network of professional practitioners.

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