www.switzerland-family-office.com/wealth-management.html

Wealth Management

One of the core activities of a family office is to manage your wealth in a profitable manner. The family office generally spreads your assets over several banks in order to diversify the counterparty risk. It coordinates with those private banks, and keeps track of your assets. The family office also summarises (consolidates) the performance of the assets in a monthly or quarterly report.

Diversification of your assets

The more substantial your wealth, the more important it is to diversify your assets over several banks and several jurisdictions, in order to reduce counterparty risk. Diversification is one of the most important (and one of the easiest) tools for wealth-preservation (never put all your eggs in one basket).

But true diversification of your assets can be quite a challenge. For example, if your family hasinvestable assets worth USD 100 million and spreads these over 10 different private banks in 4 different jurisdictions, you can imagine it would be quite a task to manage these assets yourself. This is why in most cases one of the core activities of a multi-family office is to manage your banking relationships.

The family office's role

Together with the family office you establish your family's risk profile, investment horizon and investment objectives. Subsequently the family office selects, checks, coordinates and communicates with the various banks that hold your assets under custodianship. The family office consolidates all your assets into a monthly or quarterly report and compares the performance with a chosen benchmark.

Private banking

The family office usually cooperates with a considerable number of private banks, spread out over several jurisdictions. But in general family offices prefer to work with private banks in Switzerland due to the level of service offered, their experience and expertise and the country's economic and political stability.

Private banking in Switzerland dates back several centuries and is aimed at the management, growth and preservation of private wealth. The word ‘private’ in private banking originates from the fact that the banks were directly owned by private persons or by families. These owners were liable for safekeeping the assets under management to the full extent of their own private assets. Most private banks have now changed their structure into a modern corporate one.

Asset management

A private bank will manage its clients' assets via a discretionary mandate or will act as an investment advisor:

- With a **discretionary mandate**, also called portfolio management, the account-holder agrees beforehand with the bank on his/her risk appetite and the bank makes all investment decisions on his/her behalf.
- When acting as an **investment advisor** the bank acts as custodian of the assets and regularly makes investment suggestions. The account-holder, or the family office acting on his/her behalf, makes the investment decisions him/herself and is therefore primarily responsible for the performance.

Sometimes a family office divides the assets among several private banks and chooses the same type of discretionary mandate with every bank. This allows the family office to easily compare the investment returns realised by the various banks. Often the family office also divides the assets according to the expertise of the specific banks. There are, for example, banks with specific expertise in hedge funds or structured products. Some banks are known to have better returns on conservative mandates and others on more aggressive mandates. These kinds of differences may occur with investment advisory mandates as well. Since a family office cooperates with a lot of private banks for a wide range of clients, one of the main benefits it offers is that it is well positioned to compare the performances of the banks over the years and share this knowledge with you.

A family office can even take on the responsibility of fully managing your assets. In this case the private bank only acts as a custodian bank. Often a family office also has specific expertise in such areas as hedge funds, alternative investments, real estate and private equity investments. As diversification is essential where a large amount of wealth is involved, this kind of expertise may prove very valuable for your family.

The Independent Asset Manager

An independent asset manager works independently from a private bank and often uses a number of different custodian banks, making him/her more flexible and therefore better able to serve his/her clients. Independent asset managers in Switzerland are quite often former bank employees who left their employer, but have kept advising the clients they once served in the bank. The assets of these clients mostly stay with the original private bank.

Some independent asset managers label themselves as a multi-family office – since this is a freely available title which is not regulated by any governing body – and will create the impression that they are able to provide all kinds of family office services. The simple reason for this is that there is a growing number of (U)HNW families interested in family office services. But unfortunately only a small number of independent asset managers is really able to deliver high-quality family office services. To really serve you well, a family office needs to have a multi-disciplined team serving you.

In Switzerland an independent asset manager must be a member of a self-regulatory organisation. The self-regulatory organisation is in turn subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA). Whenever a Swiss family office offers asset management to clients as one of its services, it is obliged to be a member of such a self-regulatory organisation.

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