



WHAT IS A WEALTH ENTERPRISE?

By Maria Elena (Mel) Lagomasino, Chief Executive Officer & Managing Partner; Santiago Ulloa, Managing Partner; and Michael Zeuner, Managing Partner

Successful businesses operate with detailed succession plans, governance structures, complete financial statements and active leadership to strategically manage the company day to day, year after year. Why should a wealthy family operate differently?

Over our decades of working with some of the world's wealthiest families, we've observed the families who successfully sustain their wealth across multiple generations - that is, enjoy, grow and ensure it benefits family members - manage the family wealth as they would a business enterprise. They create a wealth enterprise.

Families who create a wealth enterprise often beat the challenging odds of multi-generational wealth transfer by tapping into the same processes and best practices used to create the wealth in the first place. They work to ensure the "business of the family" is functional, well managed and designed to bridge the generations.

|| THE THREE PRIMARY COMPONENTS OF A FAMILY'S WEALTH ENTERPRISE

There are three primary components of a family's wealth enterprise:



These components must be designed and managed to function together, with an awareness of how a decision about one component will impact the other components. The family is the center of the wealth enterprise, and each component is designed to serve their objectives and needs.

● STRATEGY, STRUCTURE & GOVERNANCE

As with any other enterprise, the most critical component of a family's wealth enterprise is the strategy, structure and governance. Critical activities include:

- **Visualizing the family wealth as a “business,”** beginning with an extensive mapping of all the components: members, assets, liabilities and legal structures. As with any business, a wealth enterprise should have a robust set of financial statements.
- **Establishing a mission and strategy statement for the enterprise.** For example, what is the family looking to accomplish both in the near term and also longer term? What are the qualitative and quantitative objectives the family would like to prioritize? What does the family see as the purpose of their wealth? Creating a mission and strategy statement to act as a baseline for all decision making ensures everyone – both family members and service providers – are working in tandem to fulfill the enterprise's ultimate objectives.
- **Clearly defining a decision-making framework** and roles for family members to ensure clear accountability in the enterprise. For example, who will lead the enterprise? What other roles are involved in the enterprise? What roles will non-family members occupy? Will the family have a board of directors? Who will oversee and approve decisions? The goal of this exercise is to define all key stakeholders and their roles in managing the enterprise, and their authority to ensure transparency and clarity.
- **Planning and preparing for leadership succession.** This includes succession planning; financial education; and practical preparation for next-generation family members to empower them to one day manage the family's wealth enterprise.

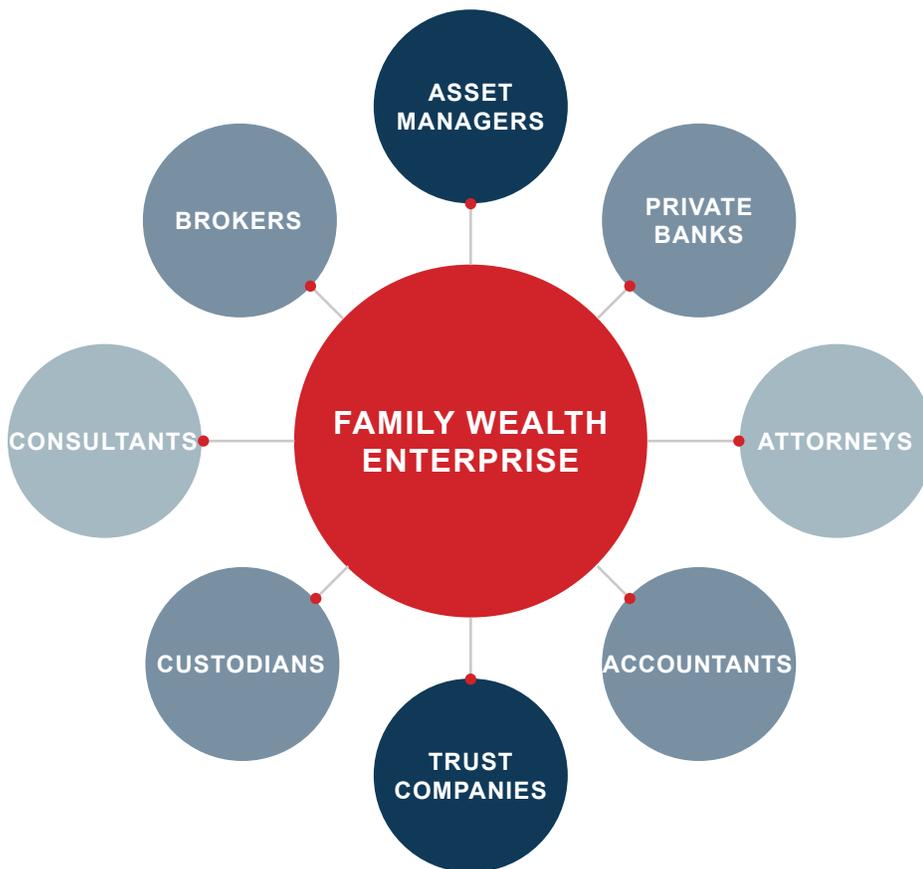
● WEALTH MANAGEMENT

The second aspect to a wealth enterprise is the wealth management. This can encompass a broad spectrum of financial disciplines that require holistic management and oversight. This can include:

- **Investment-related activities** such as asset allocation, portfolio construction, manager and investment selection;
- **Financial, tax and estate planning; risk management;**
- **Financial administration** including expense management, preparation of financial statements to ensure adequate cash flow, and providing accurate and comprehensive reporting and other compliance requirements.

While families have many choices in how and with whom they execute their wealth management activities, those activities must be overseen to be certain they fall within the overall purpose and strategy of the wealth enterprise. Wealth management decisions also must be evaluated through the lens of how they impact other aspects of the family’s wealth. This coordination and integration of wealth management activities is essential to effective wealth enterprise management.

● ECOSYSTEM OF PROVIDERS



The final component in a family’s wealth enterprise is the ecosystem of providers on which the family depends to execute all of their wealth management activities. As depicted in the following diagram, this ecosystem can be far-reaching and complex – the average wealthy family uses more than 20 providers.

It is imperative to be sure that these providers work in tandem, and that each understands the strategic objective and mission of the family’s wealth enterprise and their specific role in it. Ensuring each provider is working towards the best interests of the family is

essential. Managing a complex network of providers can be a significant undertaking, requiring significant knowledge of the function each provider performs for the enterprise.

|| WHAT IS THE SOLUTION?

On average, the principals and relationship managers at WE each have more than 20 years experience working with client families. Over the decades, we have seen these best practices help overcome the challenges associated with multi-generational wealth sustainability.

We help families manage their wealth as an enterprise so they feel confident, competent and successful as wealth owners and investors. In doing so, we address real-life challenges they experience and empower families by providing them with information, technology and infrastructure to manage their wealth enterprise. We are just as focused on helping the family feel in control, confident and prepared to oversee their wealth enterprises as we are on being sure the assets are properly, efficiently and effectively deployed.

|| THE PROCESS

We start with a thorough diagnostic to help a family define, understand and assess the current state of their wealth enterprise, which we call defining the wealth enterprise.

Defining the wealth enterprise:



Once the diagnostic is complete, we have a robust set of capabilities that can be tailored to help your family achieve greater clarity, insight, control and success managing your wealth enterprise.

WE FAMILY OFFICES WEALTH ENTERPRISE RESOURCES:

WEALTH ENTERPRISE MAPPING

- P&L
- Cash flow
- Balance sheet
- Structures/ownership
- Governance and decision making
- Strategic goals and objectives

QUALITY CONTROL

- Transaction confirmation and auditing (accuracy against agreed-on terms and structure, and reconciliation)
- Fee/commission accuracy
- Pricing review

ECOSYSTEM OF PROVIDERS

- Execution guidance - e.g. which investments to make with which providers
- Pricing negotiation
- Advice on risk assesment

ASSIST YOUR TAX & ESTATE PLANNERS

DATA AGGREGATION & CONSOLIDATED REPORTING

- Custodian and financial institution “neutral”
- Multi-currency
- Liquid and illiquid assets
- Financial and non-financial assets

INVESTMENT ADVISORY*

- Macro view
- Customized asset allocation
- Portfolio construction
- Execution support
- Review of “inbound” investment ideas for clients, including capital market transactions

FAMILY GOVERNANCE & EDUCATION

- Family values and mission
- Family governance - decision making
- Family education

- Multi-generational transfer strategies
- Multi-jurisdictional holding structures

|| BENEFITS OF A WEALTH ENTERPRISE

- A dedicated team of professionals focused on your interests to facilitate the management of your wealth enterprise
- Execution and integration around all of your family's wealth management activities
- Control around the complexity of your family's wealth enterprise, enabling the family to spend time only on those activities they choose
- Access to an elite network of like-minded families with whom to share experience and collaborate
- Enhanced effectiveness managing the family's wealth enterprise including: managing costs, coordinating service providers and risk assessment advice
- Each family member can be engaged in the wealth enterprise in the way they feel most beneficial – participating as much or as little as they choose.