

Wealthy families and the 'silo' trap.

Most of the wealthy families are serviced by large financial institutions. For these institutions it is only natural that they want to provide as many services and products as possible to these very profitable clients, in order to maximize revenue and tie their assets to the bank. This very well orchestrated "cross-selling" of services and products places this wealthy family in its own "silo".

Many wealthy families have banked with the same institution for more than one generation. It is common that the same bank has become custodian, asset manager, broker, relationship manager etc. tying these families down with a patch work of mutual fund families, hedge funds, private equity funds and other product recommended and manufactured by the bank itself. Clients affected by this condition suffer various symptoms: lack of transparency, lack of independent information and massive and unintelligible fee schedules.

It even gets worse: since the financial crisis wealthy families have looked for broader diversification and engaged with two, three or more banks. They have now created different silos at various institutions. This has exacerbated the problem, as the bankers handling the relationships at the different silos, are generally uninformed of what assets and structures are held at the other bank, making it impossible for them to provide complete, accurate and timely advice. The family also now faces the issue to deal with several account statements, management teams, relationship management teams that do not communicate with one other.



Once the family becomes aware of this situation, it will take enormous amounts of effort, time and money dissolving the different structures (if possible) and cashing out (again, if possible) from the different products that held assets at the institution.



What can be done? Here independence, transparency and coordination are the key words.

Wealthy families can protect and grow their financial assets in a more efficient way by turning to independent service providers, for example they can have one or more banks acting as custodian, one or more asset managers dedicated to manage their portfolios, independent and dedicated corporate service providers, lawyers and accountants that tend to the family's asset protection structure. The family will review and pay transparent and reasonable fees to each provider that will typically be lower, in the aggregate, than what the family would have to pay for the same services in a "silo arrangement".

To help prevent a family for the stealthy "silo-effect" a Family Office solution may help to provide the cure and elements necessary to healthy and efficient wealth management: independent advice, transparency and coordination.

A Family Office or a multi Family Office is able to provide an invaluable service by coordinating all the independent service providers and allowing for fluent communication between the different parties all for the benefit of the families they serve.

Set up your own Family Office?

Zürich, Switzerland

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