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Handler Thayer, LLP 2017 Family Office Outlook

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Family offices have continued to place considerable resources behind all aspects of risk management. This focus is expected to continue for the foreseeable future. In 2016, Handler Thayer attorneys attended and presented at over 22 tax, estate, family office and wealth management conferences, including those hosted by Family Office Association, Family Wealth Alliance, the American College of Trust and Estate Counsel and Opal Financial Group. Based on industry research, direct client experience and other observations, here are Handler Thayer's top trends in the family office world for 2017:

1. Family offices expect increasing global risk levels to continue - fueled by conflicts, nationalism, cyber-hacking, phishing, viruses, spoofing, identity theft and wire fraud. Accordingly, additional efforts and resources are expected to be directed toward risk management, privacy, insurance and asset protection.
2. In the wake of rising nationalism sentiment (e.g. Germany, UK, France, U.S.), the globalization of families, businesses, finance and investments continues to be a strong and enduring trend.
3. With increasing concentration and proliferation of wealth worldwide, increased taxation of high-net-worth and high-income taxpayers is expected to continue (e.g. China is considering a new estate tax, while the U.S. considers significant tax reform and a new alternative approach to a VAT tax).
4. More inflation, higher interest rates and increasing stock, bond and currency volatility is expected to drive investment allocations. Continuous overweighting of stock allocations and underweighting of bonds will continue based on the material outperformance by stocks in the last 10 years.



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5. In response to increasing global risks, wealth managers and professional advisors are increasingly recommending products and services: cyber-security and physical security consultants, liability management, P&C insurance and special risk coverage, asset protection and pre-marital planning, conduct protocols, sophisticated legal structures and strategies and family risk education to their super ultra-high-net-worth and family office clients.
6. Global proliferation of single family offices (SFOs), virtual family offices (VFOs) and multi-family offices (MFOs) is expected, based on increasing recognition of family offices as a global best-in-class structure for long-term wealth enhancement and preservation. Strong growth of SFOs and VFOs is expected in Asia (particularly in China) and throughout Latin America.
7. The long-term trend toward outsourcing by VFOs and SFOs is expected to continue as the costs to operate family offices and competition for qualified family office executives continues to increase.
8. The heavy-handed global regulation of the financial industry is expected to continue as FATCA, Dodd-Frank and various global laws greatly increase the costs of compliance en route to complete computer global tracking of currency. Concurrently, anti-big government and pro-business sentiment are expected to result in temporary lapses (e.g. U.S.) in the trend toward more government intervention and regulation.
9. Escalating taxpayer flight from high-tax jurisdictions to low-tax jurisdictions is expected to continue globally with new businesses, family holding companies and trusts being started offshore along with continued business migrations and inversions. Over 5,000 Americans renounced their citizenship and expatriated in 2016, a record even for the Obama administration, despite the adverse impact of the exit tax enacted during the Clinton administration.
10. Families are expected to rely on technology and long-established vehicles and strategies designed to facilitate building a family culture and facilitating governance objectives, including: family websites and portals, personal property and collection troves, annual meetings, family councils, histories, trees, directories, constitutions, by-laws, etc.



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11. The current trade relationship between the United States and China is the largest economic relationship in history. As it continues to grow and develop, it will increasingly be a major force in the global economy.

12. International families are expected to continue to pour massive amounts of investment capital into the U.S. in large measure as a global safe haven and one of the countries least likely to improperly expropriate private assets. If the Trump tax plan is enacted to reduce nominal income tax rates, the projected influx in capital is expected to materially increase.

About Handler Thayer, LLP

Handler Thayer, LLP is dedicated to providing distinctive, technologically current and innovative professional services to affluent families, family offices and privately-held companies. Its practice is concentrated in the areas of State, Local, Federal & International Income Taxation; Business, Real Estate, Securities & Corporate Law; Financial & Estate Planning; and Sports & Entertainment Law.

For the year 2017, Handler Thayer has been named Best Private Client Law Firm in the U.S. – client service by *Private Asset Management*, Best Tax Law Firm by *Acquisition International*, Estate Planning Law Firm of the Year in Illinois by *Corporate International Magazine*, Business Law Firm of the Year by *Corporate LiveWire* and Large Tier Estate Law Firm of the Year – Illinois, USA by both *M&A Today* and *The Lawyer International*. The firm was also one of only two law firms shortlisted by *Family Wealth Report* for the 2017 North American Law Firm of the Year Award.

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