

## Virtual Model Lowers Family Office Bar

Article published on August 10, 2004

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A growing number of high-net-worth families are looking to the virtual family office as a low-cost alternative to brick-and-mortar versions, say industry experts. Virtual models differ sharply from one another, but observers say the wealth industry stands to benefit from emerging technologies that provide core family wealth management capabilities while potentially helping single- and multi-family offices cut costs.

"They make sense for a lot of people," says **Jonathan Carroll**, a co-founder of [Family Office Metrics](#), a New York-based consultancy. "As the technology improves and people become more comfortable with the model, you're likely to see more adoption."

Virtual family offices are best understood as family offices without actual, physical offices. They generally shun meeting rooms and rely on technology telephone and computers for the most part - to link clients with their network of advisors. In some virtual models, technology also comes into play in the form of Web-based account aggregation tools and repositories for more static documentation such as trust agreements and wills. In addition, virtual family offices also tend to outsource expertise in terms of investment management, say, or estate planning more than single- or multi-family offices. For that reason, **Carol Pepper** of [Pepper International](#), a New York-based virtual family office practitioner, defines them as "family offices where the experts don't work in one place."

Like other holistic wealth management models, the virtual family offices attempt to iron out the complexities of prosperity for high-net-worth, especially *ultra* high-net-worth, families. Such families are looking for integrated wealth management culminating in tax-efficient wealth transfers to successor generations.

[FamilyOfficeNetwork](#), a San Diego-based virtual family office provider, helps high-end independent financial advisors provide their clients with the core services of a multi-family office. "A multi-family office deals with three, five or 100 clients with \$50 million or \$100 million [in net worth], and advises them on investment, tax and estate planning," says **Peter Wheeler**, Family Office Network's founder and managing director. "We're bringing those services down to the \$5 million to \$10 million level."

But **Jeff Davis**, a principal with [Stillpoint Advisors](#), an Atlanta-based multi-family office that also targets the \$5-million-and-up market, says that using technology to cover the basics of integrated wealth management isn't enough to satisfy high-end clients. "Technology is important, but it's really got to be all about the service model," he says. "Using a virtual family office is like buying [Turbotax](#) as opposed to hiring a big-four accountant." Prior to joining Stillpoint as a founding principal, Davis was an executive with **myCFO**, a technology-assisted wealth management provider that some see as a precursor of the virtual family office.

**Thomas Meilinger**, director of business services for [Vogel Consulting Group](#), a Brookfield, Wisc.-based multi-family office, also thinks virtual family offices might come up short on personal service. "My biggest concern about a virtual family office would be a lack of personal communication with the client," he says. "When you're working with clients you have to come in with a set of questions that probe, press and push back, so it can take three meetings to find out what you're really being hired to do."

That said, Meilinger admires some aspects of the virtual family office - in particular its ability to help advisors manage client and vendor relationships efficiently. "I welcome them to the market space " after all, they're out there pushing the technology envelope and some of their ideas could benefit all of us." Meanwhile, though, he thinks virtual family offices are best

suited to 'more of a mass audience' than the multi-family office's usual comfort zone of \$20 million and over.

Wheeler of FamilyOfficeNetwork doesn't mind saying that his version of the virtual family office is intended to help independent financial advisors reach the upper echelons of mass affluence, not to serve ultra high-net-worth families with complex trans-national, multi-generational wealth. In fact, he says, he originally developed his platform for his own financial advisory clients. In addition to running FamilyOfficeNetwork, Wheeler is president of [Wheeler Frost](#), a San Diego investment consultancy. Only when he saw that his platform actually helped him do a better job managing his clients' wealth did he set about selling it to others.

For Pepper of Pepper International, meanwhile, a virtual family office isn't a turnkey platform to be sold to other wealth management practitioners. Rather, it's a concept of using technology to allow her firm to act as a multi-family office in its own right by bringing independent practitioners to her clients' service. "It's always a challenge when experts don't reside in the same place," she says. "But if you assemble top experts, you'll find they work well together."

The challenges of bridging physical distance are also balanced by the fresh thinking that comes from bringing outsiders together, says Pepper. In her view, that puts virtual family offices at an advantage over single-family offices with in-house professionals. "There's a big difference between a lawyer from a busy practice and one from a family office," she says. "Some family-office lawyers are going to be out of the flow of new ideas." Against multi-family offices where in-house professionals might be up on current thinking, Pepper says the main benefit of her offering is price. "This is a very low-cost solution," she says. Pepper International focuses on families with \$15 million or more.

In the last analysis, the virtual family office is an inevitable wrinkle in the family office model, says Carroll of Family Office Metrics. In addition to bringing high-touch wealth management services to the "underserved" upper ranks of the mass affluent, it serves as a channel of new processes and ideas for multi-family offices. "As time goes on and the best aggregation and communication tools of virtual family offices become more widely accepted, you'll see the multi-family offices embracing these things," says Carroll.