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## Welcome to Life as a Facebook Billionaire

Carol Pepper, CEO, Pepper International

For the Facebook billionaires and millionaires, the IPO is just the beginning. Yes, it is amazing to suddenly be worth seven to nine figures, but with this great wealth will come great financial complexity, tax consequences, stock price concerns and the need for long term planning as well as great opportunities. Newly wealthy individuals should strongly consider creating or joining a family office to help them succeed.

### What is a Family Office?

A family office is a private organization that provides integrated financial, tax, estate planning and charitable advice to wealthy families. Family offices are as different as the families they serve- some serve one family, some a small group of families and some are large commercial operations backed by financial institutions and look more like private banking departments. For the new uber-wealthy Facebook crowd, a review of the options is in order.

The first question that most wealthy individuals face is, do I need a family office- and my resounding answer is, if you have \$50 million dollars or more in net worth, you definitely need a family office. You need professionals to help you manage a suddenly very complex financial life. A good place to learn the basics about family offices is The Family Wealth Alliance, [www.fwalliance.com](http://www.fwalliance.com), which published a number of excellent studies each year, or the Family Office Exchange, [www.foxexchange.com](http://www.foxexchange.com).



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### Create a Business Plan for your Family Office

I have been building family offices around the world since 2001 as CEO of Pepper International ([www.pepperinternational.com](http://www.pepperinternational.com)), and the number one predictor of success that I have seen for family offices is taking the time to create a business plan for your family office before you start. Many newly wealthy families simply hire a senior investment person and assume that he or she can quickly put together a great family office; two years later, they disband the family office due to poor performance or what they perceive as overly high expenses. This can be avoided by creating a very detailed business plan with a budget forecast before you start.

The plan should detail how many people you plan to hire, where they will work, internal financial controls for the operation, and the costs of in-house versus out-sourced expertise in tax planning, investment management, estate planning, charitable giving, household management and family security. The right consultant can make sure your operation suits your needs from the start, and save you huge amounts if you create a family office that does not work for you.

### Managing Your New Possessions

New billionaires may be in a position to buy a private plane, eight houses and lots of custom cars, but may not be aware of what it will cost to insure and maintain these possessions and how many staff members are needed to organize multiple households effectively. Household staff can create a five star existence for their families. However, they can also end up suing employers for violation of overtime employment rules or worse still plotting to kidnap children for ransom. Without the right management team, who need to be scrupulously vetted from a security perspective, a newly wealthy family may be surprised by what can happen. Setting up your new lifestyle with great management controls and a proper security protocol is critical to the safety and happiness of your family.



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### Managing Financial Wealth Properly

Unfortunately, 80% of wealth created never makes it to the next generation; new billionaires need to think long term if they don't want their grandchildren to be working class once again. Successful multi-generational families make decisions that will work for the next one hundred years. This sounds daunting, but is not impossible. According to the recent Family Wealth Alliance 2011 survey, a full 77% of wealthy families use financial planning services as part of their family office, versus 40% of average Americans.

It is critical to hire investment staff experienced in working with family wealth rather than endowment wealth, for example. Although big endowments have impressive track records, they don't pay taxes and have a 5% payout ratio- very different that a high net worth family that faces high tax bills and high personal expense requirements. Diversifying your holdings in a newly public equity will be the first job of the team. As co-author Camilla Webster and I write in our newly released book, *The Seven Pearls of Financial Wisdom: A Woman's Guide to Enjoying Wealth and Power*, ([www.thesevenpearls.com](http://www.thesevenpearls.com)), your family office will help you draft an Investment Policy statement that reflects your needs and increases your chance of investment success long term.

### Place Family Security Above All Else

One of the big downsides for the Facebook billionaires is that their net worth is known and broadcast all over the world. Many newly wealthy families build safe rooms in their houses, consider bodyguards and immediately get their children to stop using Facebook for security reasons- you no longer can afford to have everyone know what you are doing all of the time. It's a whole different game to be a billionaire- if you play it with thoughtful planning and expert advice, you can definitely succeed.