

The International Family Offices Journal

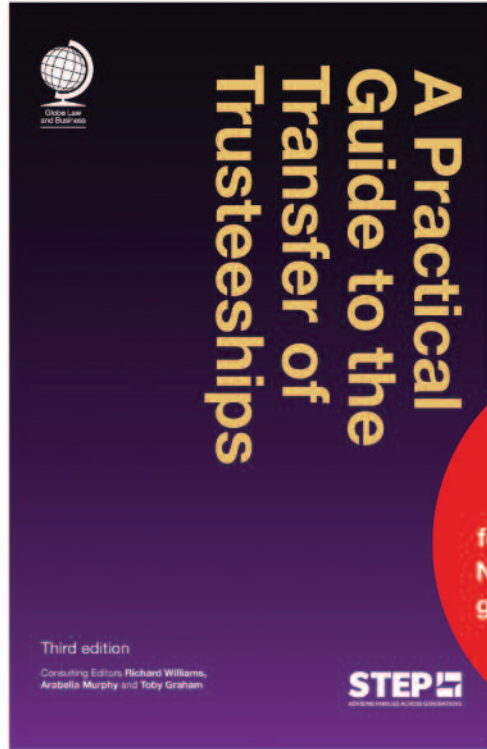
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Welcome to the June 2021 issue of The International Family Offices Journal

Barbara R Hauser, Editor-in-Chief

Again, continuing thanks for all the positive feedback on our Journal. Remember this is for the entire family office community – we solicit contributions and comments! As the word continues to spread, we enjoy receiving offers to write for us. We are already starting to fill the September 2021 issue. We have now passed the five-year marker for the Journal!

The focus of the Journal

We feature articles from leading experts in the field on a range of topics including the variety of family office models and structures, governance, investment approaches, succession planning, charity projects, family communication and consensus, and next generation issues among others. A key feature of the Journal is its international approach. We value our independence and our commitment to offering content without any conflicts of interest.

In addition to heavyweight substantive articles, we regularly feature in-depth country reports, profiles of family offices, interviews with industry leaders, a luxury corner, technology tips, book or film reviews, relevant news alerts from the Society of Trust and Estate Practitioners (STEP), and reflections by those who have grown up with wealth or advise those who have done so and what it has meant to them or their clients.

In this issue we are proud to include another fascinating variety of in-depth articles. We hope you enjoy them! This year, yet another with the pandemic, has been difficult for so many – we are hoping for brighter times ahead.

We begin with Richard Narva and Simon Sabel and their focus on the single-family office, in “Investment performance, family control and family harmony – thoughts on successful SFO advice”. They begin by noting that a single-family office is by definition a family-controlled enterprise, and as such “Family history, culture and ethnicity, and relationship issues all impact decision making on matters both insignificant and grand”. This constant family focus makes it difficult for traditional advisers. To be effective they must understand the particular family culture in each entity. They must also encourage solid governance protocols and dispute resolution

mechanisms. They stress that this need by family offices can be met by advisers who have “deep-rooted personal professionalism and independence; technical excellence with a safe compass to navigate between the spheres; and courage to seek the light”.

Looking at how to strengthen a family office leads us to the next piece by Kirby Rosplock, “The new frontier of family wealth education”. She begins with a comprehensive definition of wealth education: “Family wealth education may be defined as the ‘education, instruction, preparation and engagement of family members on the responsibilities of being an owner, inheritor, beneficiary, steward, fiduciary or other party to the wealth’.” In her very comprehensive article, she gives an overview of the history of family wealth education, then explains and promotes a new more tailored approach, complete with tables. The table for a family education plan is especially helpful. She describes the current options, illustrated by a detailed case study, and concludes: “The new frontier of wealth education is embracing the opportunities of a mixed-method education model inclusive of education technology, mentoring, mixed-media including podcasts, live webinars, and videos, cohort learning and family meeting experiences.” She closes with the admonition that: “No one modality of learning can solve the complex lives of today’s beneficiaries.”

One jurisdiction that we follow closely is Switzerland, so often a leader in the family office industry. In this issue we are pleased that Tobias Rohner and Andrea Bolliger have contributed an update to their original chapter on Switzerland in *Family Offices: The STEP Handbook for Advisers*, published by Globe Law and Business. In “Switzerland update”, they open with the statement that current global trends include pressure for transparency and harmonisation. In relation to those ongoing important trends, they consider the Covid situation to be a “minor, short-term interruption”. Meanwhile, Switzerland has adopted the OECD standard regarding mutual administrative assistance in tax matters. It has also seen several domestic legislative proposals regarding their brand of lump-sum taxation, the capital tax, the withholding tax and corporate tax

reform. Lastly, they give an update on Switzerland's so-called white-money strategy. They close with a caution about the impact of transparency: "Regardless of where a family office is located, any of the family offices using Switzerland for investment purposes need to be aware of these extensive changes." Nonetheless, they express confidence that Switzerland will survive and thrive.

During this extended period of Covid and its impact on various countries, we asked Nicola Saccardo to give a current update on the increase in families seeking to relocate. In his book *Advising the Wealthy Client*, published by Globe Law and Business, he summarised the pros and cons of residing in different countries, and he agreed that the pandemic has increased that movement and relevant factors have been changing. In his article "Wealthy clients consider relocating", he compares the most sought-after countries (Australia, Switzerland, the United States and Canada) and explains the reasons for their success in attracting wealthy families. Countries which the wealthy have been leaving include China, Russia and the special administrative region of Hong Kong. Within Europe, several countries offer special tax regimes to attract wealthy residents (eg, Italy, Portugal and Switzerland). He gives a detailed checklist of factors to consider upon relocation. In the end, he concludes "we are witnessing an increasing mobility among the very wealthy".

Given the prevalence of art collections by wealthy families there are numerous lessons and fascinating stories from the art world, as shown in the latest contribution from Ronald Varney in "The clearing house of dreams – art market transactions, planned and unplanned". He begins with a characterisation of the global art market as "gaudy and theatrical, mystifying and intimidating, bursting with big prices and pumped-up prophecies of what will be the 'next hot trend'". When family collections are involved, he cautions that even when they are "savvy and well-advised in matters of art market transactions – they have made a plan, say, for distributing art within the family, making donations to a museum, or even starting their own private foundation or museum in order to keep the collection intact for future generations" – surprises can happen. And so his stories begin.

Next is a very special and very personal piece by Darlene Orlov detailing how she supported her mother from the onset of Alzheimer's and its

progression to the final chapter. Her account, in "Coping with my mother's Alzheimer's – a personal story", reads like an intimate detailed diary. She said she hoped that sharing so much of what she learned – from stages of care, finding help, evaluating options, including all the related costs – might help others who are or will be faced with a similar situation. She lists many of the resources she found helpful. It is hard not to be touched by the care and love that shine through.

We end with an article by Mary Elizabeth Klein, "Art valuation in disruptive times". She notes that: "The pandemic has necessitated a more fluid sale schedule, many more online sales at all price points, a re-thinking of art centres to include more international focus on Paris and Hong Kong salesrooms, and pop-up venues from the Hamptons to Palm Beach". She gives a detailed explanation of the elements of a proper appraisal, which can be a very complex procedure. She lists the subjective and the objective drivers of price. The several manners in which outright fraud can occur are listed in a table. She offers advice: "Family offices can avail themselves of the International Foundation of Art Research (IFAR) website to protect against art fraud."

For some purchases (and sales) a specialised lawyer can be very helpful: "to review a contract for the purchase of a work, or to review a bill of sale, especially for significant art transactions, can protect buyers against purchasing art without clear title, stolen art, a potential dealer or gallery bankruptcy, or a Ponzi scheme, all of which scenarios have been covered by the news media of late". She closes with the caution that what is different now is the pace of change and complexity of factors meaning that: "Family offices need to approach the management and opportunities related to art with diligence to protect their wealth in this time of great change."

In our Luxury Corner for this issue Barbara Hauser talks with Maya Njie, founder of the niche perfume brand *Maya Njie*. Our Book Review by Barbara Hauser is the intriguingly titled *A missing book*.

Lastly, we continue to express our gratitude to STEP for their list of news alerts.

We thank all the wonderful contributors and hope that our readers find value, comfort and inspiration during these unusual times!

Barbara Hauser