



**CERINI
& ASSOCIATES** LLP
CERTIFIED PUBLIC ACCOUNTANTS



**BUILDING A STRONGER FAMILY OFFICE:
BEST PRACTICES & INSIGHTS**

THE ESSENTIAL GUIDE FOR FAMILY OFFICES

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As we step into 2025, family offices are facing an increasingly complex financial landscape. With evolving regulations, shifting economic conditions, and the growing need for strategic planning, it has never been more critical to ensure that your family's wealth and legacy are safeguarded for generations to come. At Cerini & Associates, we recognize that managing a family office extends far beyond financial reporting—it requires a comprehensive, forward-thinking approach that aligns with your family's unique goals and values.

This guide has been carefully curated to provide insights into the key challenges and opportunities facing family offices today. Inside, you will find expert perspectives on:

- ▶ **Optimizing Your Operations:** *Why outsourcing your accounting team can streamline financial management and enhance efficiency.*
- ▶ **Navigating Challenges in 2025:** *The evolving landscape of family offices and how to stay ahead.*
- ▶ **Strategic Tax Planning:** *Maximizing tax efficiencies and ensuring compliance in a shifting regulatory environment.*
- ▶ **Estate & Legacy Planning:** *Safeguarding your family's wealth through effective trust and estate structures.*
- ▶ **Philanthropy with Purpose:** *Strengthening your impact while maintaining financial sustainability.*
- ▶ **Investment Strategies:** *Developing a portfolio that aligns with your family's long-term vision.*
- ▶ **The Family Business Lifecycle:** *Understanding why most family businesses don't survive beyond the third generation—and how to break the cycle.*
- ▶ **Cybersecurity & Risk Management:** *Protecting your assets and data in an increasingly digital world.*
- ▶ **Future-Proofing Your Family Office:** *Preparing for what's next in an era of rapid change.*

At Cerini & Associates, we take pride in being more than just accountants—we are trusted advisors dedicated to helping family offices like yours navigate the complexities of wealth management. Our extensive experience working with family offices allows us to deliver tailored solutions that address not only your immediate needs but also your long-term objectives. We work seamlessly with your legal and wealth advisors to ensure a fully integrated approach, allowing you to focus on what matters most—growing your legacy and securing your family's future.

We hope this guide serves as a valuable resource as you continue to refine and strengthen your family office. Should you wish to discuss how we can support your efforts, we welcome the opportunity to connect.

Together, we can ensure that your family office remains resilient, strategic, and positioned for success in 2025 and beyond.

*Albert Borghese, CPA
Partner*



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WHY FAMILY OFFICES SHOULD CONSIDER AN OUTSOURCED ACCOUNTING TEAM

Managing the financial complexities of a family office requires specialized expertise, efficient processes, and a keen understanding of tax regulations, cash flow management, and financial planning. As family offices navigate intricate asset structures and cross-jurisdictional financial landscapes, outsourcing bookkeeping and accounting functions can provide a cost-effective, scalable, and strategic solution.

THE ADVANTAGES OF AN OUTSOURCED TEAM

1. ACCESS TO SPECIALIZED EXPERTISE

Family offices often manage diverse portfolios that include real estate, private equity, trusts, and philanthropic ventures. An outsourced accounting team brings extensive knowledge in handling these financial structures, ensuring compliance and precision in financial reporting.

2. COST EFFICIENCY AND SCALABILITY

Building an in-house accounting team requires significant investment in salaries, benefits, training, and infrastructure. Outsourcing allows family offices to access top-tier financial professionals without the overhead costs, offering a more predictable and flexible expense model.

3. ENHANCED FINANCIAL ACCURACY AND COMPLIANCE

Errors in financial reporting, tax preparation, and compliance can have costly consequences. An experienced outsourced team ensures accuracy in financial statements, tax filings, and regulatory compliance, mitigating risks associated with complex financial operations.

4. STREAMLINED OPERATIONS AND REDUCED WORKLOAD

By outsourcing tasks such as bookkeeping, **accounts payable/receivable (AP/AR)**, reconciliations, payroll, and month-end closing, family office staff can focus on strategic planning and wealth management rather than administrative burdens.

5. ADVANCED TECHNOLOGY AND SYSTEM INTEGRATION

Outsourced teams often implement and manage cutting-edge accounting systems, optimizing processes like expense reporting, financial planning, and cash flow forecasting. This reduces inefficiencies, enhances security, and improves financial visibility.

6. COMPREHENSIVE FINANCIAL REPORTING

Detailed and timely financial reporting is crucial for informed decision-making. Outsourced professionals provide customized reports tailored to the family office's needs, offering insights that drive smarter wealth management strategies.

7. TAX PLANNING AND PREPARATION

Navigating the ever-changing tax landscape requires expert guidance. An outsourced team stays up-to-date with tax laws and regulatory changes, ensuring tax-efficient strategies and seamless compliance with reporting requirements.

KEY SERVICES PROVIDED BY AN OUTSOURCED TEAM

- ▶ *Bookkeeping & Financial Reporting*
- ▶ *Payroll Processing*
- ▶ *Tax Preparation & Compliance*
- ▶ *Accounts Payable & Receivable (AP/AR)*
- ▶ *Bank & Investment Reconciliations*
- ▶ *Financial Planning & Cash Flow Forecasting*
- ▶ *Expense Management & Reporting*
- ▶ *Accounting System Setup & Maintenance*
- ▶ *Month-End & Year-End Closings*
- ▶ *Legal & Regulatory Compliance*

For family offices managing complex financial landscapes, outsourcing accounting functions offer a strategic advantage. By leveraging the expertise of an outsourced team, family offices can ensure accuracy, reduce operational inefficiencies, optimize tax planning, and maintain compliance while focusing on long-term wealth preservation and growth.

In an era where financial management demands agility and precision, outsourcing is not just a cost-saving measure—it's a pathway to financial excellence and sustainable success.

THE KEY CHALLENGES FACING FAMILY OFFICES TODAY: NAVIGATING THE EVOLVING LANDSCAPE IN 2025

Family offices, which manage the wealth and affairs of high-net-worth families, have experienced significant professionalization in recent years. As global financial landscapes and family dynamics continue to evolve, family offices must adapt to keep pace with changing demands and emerging complexities. A variety of new regulations, heightened risks, and opportunities will shape the way family offices operate in 2025. From increases in gift and estate tax exemptions to growing concerns about cybersecurity, here's an in-depth look at the challenges and opportunities that will impact family offices in the coming year.

1. GOVERNANCE AND COMMUNICATION: ENSURING EFFECTIVE LEADERSHIP

Family offices are becoming more professional, which has led to an increased focus on strong governance and transparent decision-making processes. With family members often holding key positions within the office, balancing family dynamics with professional management can be challenging. In fact, 86% of family office professionals report that establishing the right governance structures is a top priority.

Setting clear roles and responsibilities is essential for preventing conflicts and improving decision-making efficiency. This is especially relevant as family offices become more structured, making it imperative for leadership to communicate effectively and align the diverse perspectives of different family members.

2. INCREASES TO GIFT AND ESTATE TAX EXEMPTIONS: A WINDOW OF OPPORTUNITY

In 2025, the IRS will raise the annual gift tax exclusion to \$19,000 per recipient—the highest amount ever. Additionally, the estate and gift tax exemption will increase to \$13.99 million per individual, up from \$13.61 million in 2024. For family offices, these changes represent a valuable opportunity to execute tax-efficient wealth transfers and preserve family assets.

For couples who have already maxed out their lifetime gifts, the new exemption could allow them to give away an additional \$760,000 in 2025. However, the exemption is scheduled to be reduced by half in 2026, meaning timely action in 2025 is crucial to maximize this window of opportunity for wealth transfer before the reduction takes effect.

3. SUCCESSION PLANNING: PREPARING FOR THE FUTURE

Succession planning remains one of the most significant challenges for family offices. Nearly half of family offices have focused on strengthening or developing succession plans in recent years to ensure the smooth transition of leadership and assets. However, this process involves not only financial planning but also addressing the emotional dynamics that come with passing the torch to the next generation.

With nearly 44% of family offices viewing succession planning as one of their most significant challenges, it is essential for family offices to create comprehensive plans that take into account both the wealth and the emotional needs of family members, ensuring a smooth handoff of responsibility and wealth.

4. NAVIGATING THE INVESTMENT LANDSCAPE: ALIGNING RISK AND RETURN

Aligning investment portfolios with family goals and values remains a top priority for many family offices, with 59% of family office professionals focused on managing risk and ensuring the right return on investments. However, this task has become more complex due to market volatility, political instability, and the rising interest in impact investing, particularly among younger generations who prioritize **environmental, social, and governance (ESG)** factors.

Family offices must stay flexible, adjusting their investment strategies to account for changing market conditions and the evolving priorities of family members. This requires balancing risk with long-term growth and staying abreast of new investment opportunities that align with both financial goals and family values.

5. STRATEGIC IRS INITIATIVES AND REGULATORY COMPLIANCE

Family offices are also facing heightened scrutiny from the IRS. For example, the **sports industry losses campaign**, launched in January 2024, aims to investigate tax deductions claimed by partnerships within the sports industry to determine if the income and deductions driving the losses are reported in compliance with the applicable sections of the Internal Revenue Code. Meanwhile, the **business aircraft campaign** will focus on ensuring compliance with regulations surrounding corporate jet use. These IRS initiatives are part of a broader audit focus on high-income individuals and their wealth management structures, underscoring the need for family offices to stay compliant and ensure proper reporting.

Alongside IRS scrutiny, global regulatory compliance is an ongoing challenge. Family offices with international holdings or cross-border transactions must ensure they are meeting both local and global regulatory demands, building strong relationships with legal and compliance experts to navigate these complexities.

6. GROWING RISKS OF ANTI-MONEY LAUNDERING COMPLIANCE

Anti-money laundering (AML) regulations are becoming more complex, especially for family offices involved in offshore investments or private funds. Recent changes, such as the U.S. Department of the Treasury's rule requiring investment advisers to follow stricter AML regulations starting in 2026, will further increase compliance burdens. Family offices must be prepared to navigate the growing web of AML requirements to mitigate the risk of non-compliance and financial crimes.

7. CYBERSECURITY: PROTECTING SENSITIVE DATA AND ASSETS

As family offices rely more heavily on technology to manage their wealth, cybersecurity has become a critical concern. With the rise of cybercrime targeting high-net-worth individuals, family offices must invest in robust cybersecurity systems to protect both financial assets and personal information.

Family offices are prime targets for cybercriminals, and the increasing use of AI-driven technologies, such as text-to-speech models, opens new vulnerabilities for misuse. Proactively addressing cybersecurity risks and educating family members about the threats is essential to maintaining the security of sensitive data.

8.

TALENT MANAGEMENT: ATTRACTING AND RETAINING EXPERTISE

As family offices grow in complexity, attracting and retaining top talent has become a key challenge. Family offices need skilled professionals in accounting, legal services, compliance, and investment management, and creating an environment that fosters professional growth is critical. Competitive compensation, career development opportunities, and a positive workplace culture are essential to ensure family offices can attract and retain the best talent.

CONCLUSION: A BALANCING ACT OF TRADITION AND INNOVATION

Family offices are at a critical juncture, facing a wide range of challenges, from governance and succession planning to regulatory compliance and cybersecurity. Despite these challenges, family offices can thrive by embracing professionalism, leveraging technology, and focusing on long-term family interests.

As a result, family offices must strike a balance between preserving the values that have sustained their wealth and adapting to the new challenges and opportunities that arise. By staying informed and proactive, family offices can protect their assets and position themselves for continued success in a rapidly changing world.

HOW TO OPTIMIZE TAX PLANNING FOR FAMILY OFFICES

Tax planning is an essential component of managing and growing family wealth. For affluent families, with their complex financial portfolios, diverse asset classes, and multi-jurisdictional investments, understanding the intricacies of tax laws and strategically optimizing their tax position can lead to substantial financial benefits. Here's a look at key considerations and strategies to optimize tax planning for family offices.

TAX CONSIDERATIONS: AN OVERVIEW

1. UNDERSTANDING TAX LIABILITIES

Every investment carries specific tax implications that can vary based on asset type, jurisdiction, and holding period. Whether it's real estate, stocks, bonds, or business interests, understanding the tax liabilities associated with each investment is vital for efficient wealth management.

2. CROSS-BORDER TAX COMPLEXITY

Many wealthy families have assets that span multiple countries, leading to cross-border tax challenges. Each jurisdiction may have different tax rates, treaties, and rules that require specialized knowledge to navigate. Proper planning can help minimize double taxation and ensure compliance across borders.

3. TAX COMPLIANCE AND REPORTING OBLIGATIONS

Family offices must adhere to strict tax reporting requirements. Non-compliance can result in penalties and interest charges. Ensuring timely filing of returns and fulfilling disclosure obligations is key to maintaining a good standing with tax authorities.

4. IMPACT OF TAXATION ON ASSET ALLOCATION

Tax considerations should influence investment decisions. Different asset types, such as stocks, bonds, or real estate, are subject to varying tax treatments, which can significantly affect investment returns and risk. Family offices need to structure their portfolios with these tax implications in mind.

5. TAX IMPLICATIONS OF GENERATIONAL TRANSFERS

Wealth transfer between generations can trigger estate and gift taxes. Planning ahead can help minimize these taxes, ensuring a smooth transfer of assets with the least financial burden.

6. TAX CONSIDERATIONS IN PHILANTHROPY

Many families are active in charitable giving. Understanding the tax benefits of charitable donations, including deductions and tax-free strategies, is essential for optimizing both philanthropic goals and tax outcomes.

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MITIGATION STRATEGIES: EFFICIENT TAX PLANNING

Effective tax planning seeks to minimize the tax burden while aligning the family's financial goals with tax law. Here are several key strategies family offices can employ:

1. UTILIZING TAX-ADVANTAGED ACCOUNTS AND STRUCTURES

Utilizing structures like **Individual Retirement Accounts (IRAs)**, trusts, or special purpose entities can provide valuable tax benefits. These vehicles allow for tax deferral or other advantages, and selecting the right ones for each type of asset is a key component of tax-efficient investment planning.

2. TAX LOSS HARVESTING

This strategy involves selling securities that have experienced a loss to offset gains in other areas of the portfolio, reducing taxable income. It requires careful timing and an understanding of market conditions to optimize its effectiveness.

3. GIFTING STRATEGIES

Strategic gifting, such as annual exclusion gifts, charitable lead trusts, or charitable remainder trusts, can reduce estate and gift taxes. These tools allow families to make meaningful gifts to family members or charitable causes while minimizing the tax impact.

4. UTILIZING TAX CREDITS AND DEDUCTIONS

Tax credits and deductions, such as those for energy efficiency or education, should be maximized. Family offices should work closely with tax professionals to identify available credits and deductions that apply to their specific situation.

5. STRUCTURING INVESTMENTS FOR TAX EFFICIENCY

Understanding the tax treatment of different investments—whether through interest, dividends, or capital gains—can guide asset allocation decisions. By aligning the tax treatment of investments with the family's goals, families can enhance after-tax returns.

6. CONSIDERATION OF TAX TREATIES AND INTERNATIONAL AGREEMENTS

For families with international assets, tax treaties between jurisdictions can offer opportunities to reduce double taxation. By leveraging these treaties, family offices can structure their affairs in a way that minimizes tax liabilities.

7. COLLABORATION WITH TAX PROFESSIONALS

Navigating complex tax laws often requires expertise. Family offices should work with tax professionals, including accountants, tax attorneys, and financial planners, to ensure compliance and uncover tax-saving opportunities.

ADDRESSING ETHICAL CONSIDERATIONS

While tax mitigation is important, family offices should avoid aggressive tax avoidance strategies. Overly aggressive tax tactics can lead to legal issues, penalties, and damage to the family's reputation. It's important to ensure that tax planning is done transparently and in compliance with the spirit of the law.

Family offices should also consider their social responsibility and align tax planning with their broader values. This might include strategic charitable giving, social investments, and aligning the family's wealth management with ethical principles.

METHODS OF TAX DEFERRAL AND ELIMINATION

Several tax strategies can significantly reduce tax liabilities and defer taxes for future generations:

- ▶ **IRC Sec. 1031 Exchanges:** *This allows investors to defer taxes on the sale of investment properties by reinvesting the proceeds into like-kind properties, provided specific conditions are met. It is an effective strategy for real estate holdings.*
- ▶ **Qualified Opportunity Zones (QOZs):** *The QOZ program encourages investment in distressed communities and offers the potential to defer and reduce capital gains taxes when investing in a Qualified Opportunity Fund (QOF).*
- ▶ **IRC Sec. 1202 Qualified Small Business Stock (QSBS):** *This provision encourages investment in small businesses by providing tax exclusions for gains on the sale of qualified stocks, subject to certain conditions.*

ESTATE PLANNING TECHNIQUES

Tax planning also extends to estate planning, where certain vehicles can reduce tax exposure and ensure smooth wealth transfer:

- ▶ **Grantor Retained Annuity Trusts (GRATs):** *This irrevocable trust allows families to transfer assets to beneficiaries while minimizing estate taxes. GRATs are especially advantageous in low interest rate environments.*

▶ **Spousal Lifetime Access Trusts (SLATs):** *SLATs enable one spouse to transfer assets to the other while benefiting from the current high estate tax exemptions. It allows assets to appreciate outside the estate, reducing future estate tax liabilities.*

By adopting comprehensive tax strategies, family offices can significantly optimize tax planning, reduce liabilities, and preserve wealth. Whether it's through tax-advantaged investment vehicles, strategic gifting, or leveraging tax deferral techniques like IRC Sec. 1031 Exchanges or Qualified Opportunity Zones, understanding and executing a tailored tax plan can be a key driver of long-term wealth preservation and growth. Additionally, working with a team of tax professionals and remaining mindful of ethical considerations ensures that families can maintain their financial goals while adhering to legal and moral standards.





TRUST & ESTATE PLANNING MISCELLANEOUS ITEMS TO CONSIDER (2025)

The topic of Trusts and Estates is extremely broad and encompasses an almost unlimited variety of items, especially for high-net-worth individuals. The following is a small, and admittedly random, sample of what should be considered when considering trust and estate planning:

I. ESTATE, GIFT AND GENERATION-SKIPPING TRANSFER TAX CONSIDERATIONS (2025)

The federal government taxes individuals if they have assets in their name in excess of a certain threshold amount (*the exemption amount*) on their death or if they give away more than the exemption amount during their lifetime. Presently, the federal estate and gift tax exemptions are at an all-time high. For 2025, the federal gift and estate tax exemption is \$13,990,000 per individual.

Due to the concept of portability, a married couple has an even higher exemption. Portability allows a surviving spouse to inherit any unused portion of their deceased spouse's estate and gift tax exemption. In other words, if one spouse does not utilize their full \$13,990,000 exemption, the surviving spouse can add such unused portion to their \$13,990,000 individual exemption. In practice, a married couple can shield a total of \$27,980,000 without having to pay any federal estate or gift tax.

In addition to estate and gift tax, the federal government imposes a tax on generation skipping transfers. This tax (*the "GST tax"*) is imposed on assets gifted to heirs more than one generation younger than the donor (*e.g.: gifts from a donor to her grandchildren*). However, gifts made to a grandchild whose parent has predeceased are not subject to the GST tax. Presently, the GST tax exemption is the same as the gift/estate tax exemption (*i.e., \$13,990,000*). **NOTE: the portability rules do NOT apply to GST taxes.**

The tax rate for taxable estates varies depending on the size of the taxable amount due. The maximum cost (*i.e., tax*) for estate, gift and generation skipping transfer is forty (40%) percent and this rate is imposed once the taxable amount is \$1,000,000 or more.

Unless new legislation provides otherwise, the federal exemption is scheduled to sunset on December 31, 2025. The new exemption is estimated to be reduced to around \$7,000,000 (*adjusted for inflation*). Despite this significant decrease, the maximum tax rate will remain at 40%.

One way to make gifts without utilizing your exemption is to make annual gifts. For individuals, the annual gift tax exclusion has increased to \$19,000 per recipient (*\$38,000 for a married couple*). Each donor can give up \$19,000 to an unlimited number of beneficiaries without gift tax consequence (*i.e., without reducing their exemption amount*). In addition, donors have the ability to pay tuition or medical expenses directly to the service provided for someone, in an unlimited amount, without using the donor's exemption. While gifts to spouses are never taxable, if your spouse is not a U.S. citizen, the annual gift amount that can pass free of gift tax is only \$190,000.

II. GIFT TAX RETURNS

Please note that if you made gifts of more than \$18,000 to any one donee in 2024 then you will be required to file a federal gift tax return by April 15, 2015 (*or file for an extension as of that date*).

Filing a federal gift tax return is important for the following reasons:

1. *it will commence the three (3) year statute of limitation. If a gift made after August 5, 1997 is "adequately disclosed" on a gift tax return, the IRS is prohibited from making any adjustments related to the gift once the statute of limitations has expired*
2. *it will avoid possible tax liability*
3. *it will allow you to properly allocate generation skipping transfer tax exemption to your gift, if applicable.*

In order for the gift to be adequately disclosed, the taxpayer must furnish the following information about the gift:

1. *a complete description of the transferred property and any consideration received by the transferor;*
2. *the identity of the transferor and the relationship between the transferor and the transferee;*
3. *if the transfer is to a trust, the trust's taxpayer identification number and a brief description of the trust terms (or in lieu, a copy of the trust instrument);*
4. *a detailed description of the method used to determine the fair market value of the transferred property, including any financial data used to determine the fair market value and a description of any discounts or restrictions on the transferred property that were considered in determining the value OR a qualified appraisal*
5. *a statement of any position taken in the gift tax return or attachments that is contrary to a proposed, temporary or final Treasury regulation or ruling published at the time of transfer.*

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III.

BUSINESS SUCCESSION PLANNING

Succession planning is a linchpin of any profitable, enduring business and is a critical component of a business owner's overall estate plan. Succession planning becomes more complex when a closely-held business or family business is involved because it raises emotions tied to planning for the succession of the business. As a result, business owners tend to focus their energy on operating and building their business and put off the important step of planning for the future.

Estate planners routinely work with business owners and their advisors (*accountants, corporate counsel, etc.*) in developing plans to effectively meet the needs and objectives of both the business and its owners (*e.g., maximizing wealth, reducing taxes, defining and satisfying estate and exit planning objectives, and achieving the mission of the business enterprise*). Set forth below are some of the unique (*and often complex*) issues which arise from the ownership of a closely-held business.

CONTINUITY & HARMONY:

A successful business succession plan will facilitate a smooth transition of the business from one generation to the next, with minimal disruption to the day-to-day operations. Current owners will phase out of the company, as both managers and owners, in a manner so as to enable them to maintain a degree of control as the company changes hands (*e.g., the succession plan may entail an extended buy-out period or even a sweat equity component*).

GOVERNANCE:

Businesses require a well-structured, written agreement among the owners that sets forth, among other things, their understanding with respect to: **(i)** the management and operation of the business (*e.g., who will execute daily operations, who will approve significant decisions and actions of the company, who will honor the strategic vision of the company, etc.*), **(ii)** the imposition of restrictions on transfers or other dispositions of ownership interest to maintain continuity in ownership, along with provisions concerning the future disposition of ownership interests upon the occurrence of certain events (*e.g., disability, divorce, retirement and death*) and **(iii)** restrictive covenants, including non-competition, non-solicitation, and confidentiality provisions, to protect the financial viability of the business in the event of various contingencies, including an owner's departure from the business.



INCOME, ESTATE AND GIFT TAX PLANNING & COMPLIANCE:

The ever-changing federal and state tax laws require the need for constant analysis of a business' (*and its owners'*) current situation with a focus on the future. This component can directly impact both the continuity and governance issues addressed above. For this reason, the agreement among owners requires ongoing review and revision. Moreover, the necessity to properly comply with tax laws and reporting requirements is essential and often requires the assistance of professionals.

RISK MANAGEMENT:

Protecting the business, its owners and the owners' family members requires, among other things, a review of life insurance, property and casualty insurance, disability insurance and business continuity insurance. Estate planners work with insurance professionals to help spot and minimize potential risks.

QUESTIONS TO CONSIDER

The following is a list of some, but certainly not all, of the items to consider when thinking about your closely-held business or family business:

1. *What are the current, and intended future, roles of the owners and their family members?*
2. *Will the owners all be active in the business or will any be passive owners?*
3. *At what age or under what circumstances can the next generation join the business and what requirements must they have to handle the job?*
4. *How often do the owners or family members meet to discuss the goals of the business and its current state of affairs?*
5. *How do you preserve the business culture, family harmony and desires of multiple owners?*
6. *What is the mission of the family planning and business? Are the mission and the culture compatible?*
7. *Who makes decisions concerning salaries, distributions and capital structure – and what are distribution priorities?*
8. *How can non-family key employees be rewarded and incentivized to stay on board?*
9. *Will the business support family members outside the business to pursue other careers?*
10. *Should the business provide loans to owners or their family members?*
11. *Does the business have both a real estate component and an operating component? If so, are leases structured for income to beneficiaries or protection of the business continuity or both?*
12. *What is the ultimate goal for the business? Will the owners sell the business to a third-party strategic buyer or should the business be sold or gifted to the next generation of family members? Should the business be partially monetized? Do family discounts or minority discounts apply?*
13. *Should the use of trusts be incorporated? If so, what is the purpose of the various trusts and who should be the trustee?*

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The foregoing is not an exhaustive list of considerations. Best practice should always be to consult with counsel to plan for a successful transition of your business to the next generation or other exit strategy.

IV. BENEFICIARY DESIGNATIONS

Estate planners often advise as to the proper preparation of beneficiary designations in order to coordinate them with a client's overall estate plan (e.g., a *Last Will and Testament* or *Revocable Living Trust*). The issue of designating beneficiaries typically arises when dealing with IRAs, annuities, life insurance policies and retirement accounts (e.g., *401(k)s*, *profit-sharing plans* and *tax deferred annuities [TDAs]*).

For example, if a trust has been established for a family member, then, possibly, the beneficiary of an account would be the "Trustee" of the trust and not the family member. If your beneficiary is experiencing a "disability" or has "creditor problems" then naming them as beneficiary may be financially devastating to them upon your death.

In general, we do not recommend naming beneficiaries on bank accounts or brokerage accounts. Many times, "transfer on death (TOD)" designations conflict with the structure of a client's estate plan. Before naming a beneficiary on any such account, you should determine if the designation will adversely affect the distribution of your estate.

Finally, it is suggested you contact the appropriate institution to verify that the beneficiaries currently designated by you are correct. It would be advantageous to retain copies of your beneficiary designation forms in your own files.

V. TRANSFER OF REAL ESTATE AND PROPERTY INSURANCE

If you have transferred your real estate to a limited liability company, a revocable trust, an irrevocable trust or outright to your children, please contact your property and casualty insurance agent to make sure that the "insured" or "payee" on the policy is correctly identified. For example, if Mr. A transfers his home to a Medicaid Qualifying Trust to protect the home for Medicaid purposes, then the policy insuring the house should identify the Trustee of the Medicaid Qualifying Trust as the insured (*not Mr. A*). Mr. A should be named as an additional insured.

VI. PRACTICAL CONSIDERATIONS

We encourage all of our clients to follow these practical steps to reduce expenses, stress and confusion among family members:

- (i) Review and update the contact information for children and loved ones.
- (ii) Review and keep together beneficiary designation forms for all retirement accounts, IRAs, annuities and life insurance.
- (iii) Know where your Durable Power of Attorney, Health Care Proxy and Living Will, Wills and Trusts are located (and tell your loved ones).
- (iv) Know where your long-term care policies, titles to cars and insurance policies are located.
- (v) Provide a list of passwords to your computer accounts to your Agent under your Durable Power of Attorney.
- (vi) Review the need to maintain any bank safe deposit boxes.
- (vii) List the name, address, phone number and specialty of all your doctors (cardiologist, urologist, ophthalmologist, oncologist, etc.).
- (viii) Provide a list of personal effects to be given to certain individuals. NOTE: under some state laws this is not binding but it may reduce family conflicts.
- (ix) Provide a list of your medications with the time of day for its intake.
- (x) Prepare a list of any allergies.
- (xi) Provide contact information for your professional advisors (e.g., insurance agent, attorney, accountant and financial advisor).



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FLEXING YOUR PHILANTHROPIC MUSCLE: CHOOSING THE RIGHT GIVING VEHICLE

Philanthropy is more than just charitable giving—it’s a strategic approach to creating lasting impact. Whether you’re an individual donor or part of a family office, choosing the right philanthropic vehicle is essential to aligning your giving with your values and goals. Three primary options for structured giving include **Donor Advised Funds (DAFs)**, Private Foundations, and Private Operating Foundations. Each has distinct advantages depending on the level of control, involvement, and complexity you desire.

DONOR ADVISED FUNDS (DAFS)

A Donor Advised Fund is one of the most accessible and flexible ways to manage charitable giving. DAFs allow donors to contribute funds to a designated charitable account, receive an immediate tax deduction, and recommend grants to nonprofits over time.

Key Benefits:

- ▶ **Tax Efficiency:** Immediate tax deductions upon donation, with the ability to distribute funds over time.
- ▶ **Low Administrative Burden:** The sponsoring organization handles all compliance and administrative tasks.
- ▶ **Flexibility:** Allows donors to support multiple charities at their convenience.
- ▶ **Investment Growth:** Funds can be invested and grow tax-free, increasing the potential for greater giving.

PRIVATE FOUNDATIONS

A Private Foundation provides greater control over charitable giving and long-term grantmaking. These entities are typically established by individuals or families and require more administrative oversight.

Key Benefits:

- ▶ **Control:** Donors set grantmaking priorities and guidelines, ensuring alignment with their philanthropic vision.
- ▶ **Perpetuity:** Ability to sustain charitable giving across generations.
- ▶ **Grantmaking Flexibility:** Funds can support a wide range of charitable initiatives, including scholarships and direct program funding.
- ▶ **Tax Benefits:** Contributions offer tax deductions, though less favorable than those of DAFs.

Considerations:

- ▶ Higher administrative costs and legal requirements.
- ▶ Must distribute at least 5% of assets annually.
- ▶ Greater public disclosure requirements.

PRIVATE OPERATING FOUNDATIONS

Private Operating Foundations function similarly to private foundations but are distinguished by their requirement to conduct direct charitable activities rather than primarily making grants to other organizations.

Key Benefits:

- ▶ **Hands-On Philanthropy:** Ideal for donors who want to be actively involved in running programs.
- ▶ **Control and Flexibility:** Like private foundations, they allow for direct management of charitable activities.
- ▶ **Tax Advantages:** Receive similar tax treatment to public charities in some cases.

Considerations:

- ▶ Requires direct program implementation and ongoing operational oversight.
- ▶ Higher administrative and regulatory requirements compared to DAFs and private foundations.

CHOOSING THE RIGHT PHILANTHROPIC VEHICLE

Selecting the best option depends on various factors, including:

- ▶ **Level of Control:** If you prefer hands-off giving, a DAF is ideal; if you want control, consider a foundation.
- ▶ **Administrative Capacity:** DAFs offer simplicity, while foundations require more management.
- ▶ **Long-Term Goals:** If you seek to create a lasting philanthropic legacy, a private foundation may be the right fit.

No matter which vehicle you choose, structured philanthropy enables you to amplify your impact and create meaningful change. By carefully evaluating your objectives and the level of involvement you wish to maintain, you can ensure your giving aligns with your mission and values while maximizing its effectiveness.

THE WEALTH PYRAMID



THE FAMILY OFFICE INVESTMENT POLICY AND PROCESS

Developing a well-defined investment policy and establishing a structured investment process is essential for the effective management of a family office's wealth. The investment policy should align with the family's goals, risk tolerance, and values to ensure long-term financial sustainability and intergenerational wealth preservation.

THE ELEMENTS OF A FAMILY OFFICE INVESTMENT STRATEGY

A robust family office investment strategy incorporates several key elements, including defining investment objectives, risk management, asset allocation, and investment monitoring.

WHERE SHOULD YOU START?

When developing an investment policy, family members must outline clear processes that effectively manage family wealth. This begins with defining the strategy's purpose, goals, and objectives.

DEFINING THE INVESTMENT STRATEGY'S PURPOSE, GOALS, AND OBJECTIVES

Several factors influence the investment strategy of a family office:

- ▶ **The Family's Background:** Understanding the origins of family wealth and its growth trajectory.
- ▶ **Shared Values and Purpose:** Establishing a values-driven approach to wealth management, ensuring alignment with generational perspectives and long-term legacy planning.
- ▶ **Challenges of Conventional Approaches:** Addressing the common risk of wealth dissipation within three generations through strategic planning and governance.
- ▶ **Building on Values and Vision:** Encouraging intergenerational engagement to sustain and grow the family legacy.

RISK MANAGEMENT

Risk management is a cornerstone of a family office's investment strategy. Key considerations include:

- ▶ **Understanding Risk and Return:** Avoiding unnecessary risks while achieving desired financial outcomes.
- ▶ **Family Risk Attitude:** Defining risk tolerance to shape investment decisions.
- ▶ **Additional Risk Considerations:** Addressing potential threats such as divorce, tax implications, and regulatory changes.

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TIME HORIZON AND LIQUIDITY NEEDS

Family offices must define their investment time horizon, balancing short-term liquidity needs with long-term wealth preservation. This includes preparing for unforeseen financial requirements and identifying opportunities for reinvestment.

ASSET CLASS GUIDELINES

Asset class guidelines provide a framework for investment allocation. These include:

- ▶ **Equities:** Shares in publicly traded companies with growth potential.
- ▶ **Fixed Income/Bonds:** Debt securities providing regular interest income.
- ▶ **Alternative Investments:** Private equity, hedge funds, real estate, commodities, and infrastructure investments.

FAMILY OFFICE ASSET ALLOCATION

Asset allocation is crucial for managing risk and optimizing returns.

- ▶ **Diversification:** Spreading investments across different asset classes to minimize volatility.
- ▶ **Strategic Asset Allocation:** Considering long-term investment objectives to maintain financial stability.
- ▶ **Long-Term Perspectives:** Leveraging patient capital to navigate market fluctuations and capture growth opportunities.

INVESTMENT MANAGER SELECTION AND MONITORING

Selecting and monitoring investment managers ensures adherence to the family office's financial goals.

- ▶ **Due Diligence:** Evaluating investment managers based on track record, philosophy, and risk management practices.
- ▶ **Regular Reporting and Performance Reviews:** Ensuring transparency in portfolio management and investment outcomes.
- ▶ **Ongoing Monitoring:** Maintaining oversight to adapt strategies based on market trends and economic conditions.

CONTROLLING, REVIEWING, AND MONITORING INVESTMENT STRATEGY

Family offices must maintain control over their investment strategy through:

- ▶ **Clear Investment Guidelines:** Establishing well-defined parameters for risk, return, and asset allocation.
- ▶ **Regular Strategy Reviews:** Aligning investment objectives with evolving market conditions and family goals.
- ▶ **Performance Monitoring:** Assessing benchmarks and making necessary adjustments.

COMMUNICATION AND TECHNOLOGY

Effective communication and technology play a crucial role in ensuring transparency and collaboration. Key aspects include:

- ▶ **Robust Reporting Mechanisms:** Providing regular updates on portfolio performance.
- ▶ **Technology Integration:** Utilizing secure platforms for data management and analytics.
- ▶ **Stakeholder Engagement:** Facilitating communication between family members and investment professionals.

PHILANTHROPY AND IMPACT INVESTING

Incorporating philanthropy into the investment strategy enables family offices to align financial goals with social impact. This includes:

- ▶ **Defining Philanthropic Goals:** Aligning charitable initiatives with family values.
- ▶ **Impact Investing:** Allocating funds toward socially responsible and sustainable investments.
- ▶ **Measuring Impact:** Establishing metrics to track the effectiveness of philanthropic efforts.

A well-structured investment strategy enables family offices to sustain wealth across generations while aligning financial decisions with values and long-term goals. By integrating risk management, strategic asset allocation, and active investment monitoring, family offices can create a resilient and adaptable financial framework for the future.





UNDERSTANDING THE STRUCTURE OF A FAMILY OFFICE: MORE THAN JUST WEALTH MANAGEMENT

For high-net-worth families, managing financial wealth is just one part of a much larger equation. A family office serves as the central hub for overseeing all aspects of a family’s financial, legal, tax, and personal affairs, providing a comprehensive suite of services designed to simplify complexity, preserve wealth, and support long-term family goals.

A well-structured family office enhances the experience of affluent families by offering a fully integrated approach to financial stewardship. Beyond investment management, family offices coordinate estate planning, tax strategies, insurance and risk management, business advisory services, lifestyle management, and philanthropic planning—all within a unified strategy tailored to the unique needs of each family.

THE CORE FUNCTIONS OF A FAMILY OFFICE

A well-designed family office serves as a comprehensive financial and lifestyle management team, providing strategic support across multiple areas.

1. STRATEGIC WEALTH MANAGEMENT

The foundation of any family office is the strategic management of wealth. Unlike traditional investment firms that focus primarily on asset allocation and market returns, family offices require a more holistic approach to financial planning. Utilizing a “bucket” approach to asset allocation, family offices can better align resources to their goals:

- ▶ *Cash management, lines of credit and income-producing assets for short-term cash flow*
- ▶ *Growth-oriented investments including alternative asset classes and insurances for long-term wealth accumulation*
- ▶ *Transferable assets to maximize philanthropic impact and facilitate generational wealth planning, ensuring seamless transitions across family lines*

This approach helps ensure that financial decisions support the family’s overall objectives by incorporating tax-efficient investment strategies, estate planning, and risk management.

2. FINANCIAL, ESTATE & TAX PLANNING

A key component of a family office is comprehensive financial planning that accounts for both current and future generations. Families must navigate complex financial landscapes, tax laws, estate transfer strategies, and potential risks that could impact their wealth plans.

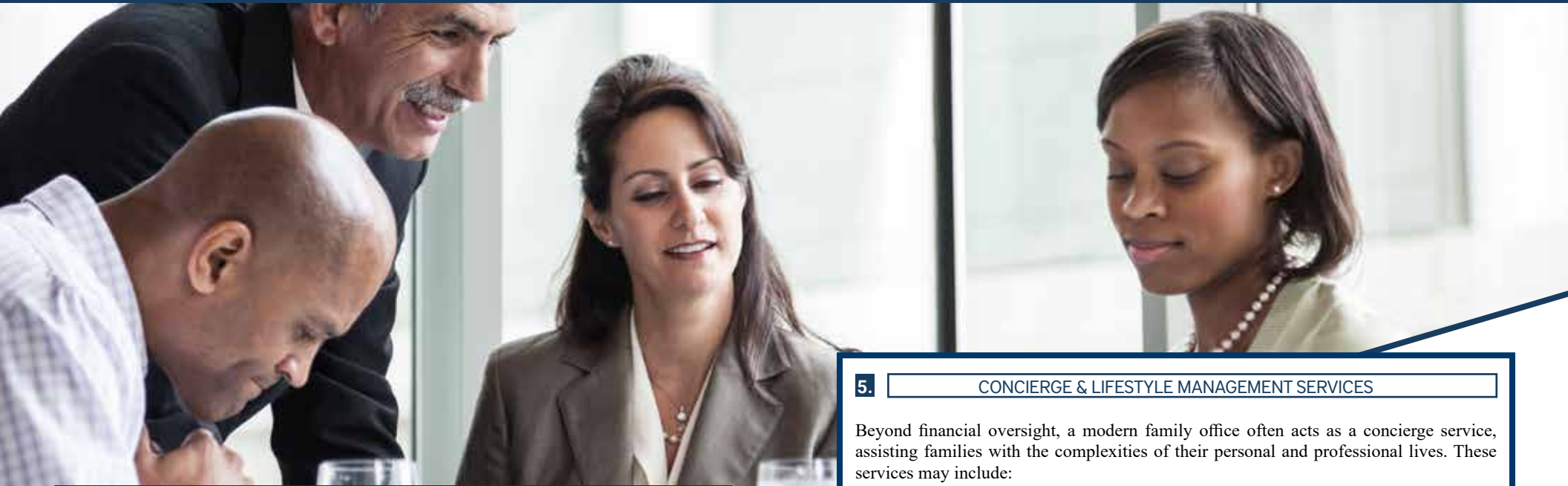
Using advanced financial modeling and stress testing, families can prepare for various scenarios—such as market downturns, tax law changes, or unexpected life events—increasing resilience and providing confidence. Estate and inheritance planning is seamlessly integrated into this process, helping families establish trust structures, charitable foundations, and legal frameworks to safeguard their wealth over the long term.

The goal is to bring together all of the family office’s strategic advisor: tax professionals, financial advisors, and estate attorneys to develop collaborative and proactive tax strategies that minimize tax burdens and maximize generational continuity.

3. RISK MANAGEMENT & INSURANCE STRATEGIES

Protecting family wealth goes beyond investment strategies—it requires a comprehensive risk management approach. A well-structured family office ensures that:

- ▶ *Insurance solutions are in place to provide liquidity for estate taxes and wealth transfer planning*
- ▶ *Asset protection strategies safeguard family wealth from litigation, market volatility, or economic downturns*
- ▶ *Business continuity planning is established for family-owned enterprises*
- ▶ *Key person insurance is structured to mitigate risk for business owners or essential family members*



4. BUSINESS ADVISORY SUPPORT

It is important to prepare for the certainty of uncertainty. By carefully analyzing risk exposure, the family office can effectively design insurance solutions that protect assets, mitigate liabilities, ensure seamless generational wealth transfer, and potentially support efficient wealth growth.

Many high-net-worth families are also business owners, and their family office must be equipped to support business strategy, succession planning, and financial oversight. A well-structured family office can:

- ▷ Provide strategic business advisory services for growth, acquisitions, and divestitures
- ▷ Assist with succession planning to transition leadership within a family-owned business
- ▷ Offer cash flow management, financial reporting, and corporate governance support
- ▷ Develop tax-efficient business structures that align with personal and family wealth objectives

Your advisors should work closely with business owners to ensure their family’s personal and professional wealth strategies align. Whether planning for an exit strategy, managing business risk, or overseeing financial reporting, they should provide the expertise necessary to optimize business and personal financial success.

5. CONCIERGE & LIFESTYLE MANAGEMENT SERVICES

Beyond financial oversight, a modern family office often acts as a concierge service, assisting families with the complexities of their personal and professional lives. These services may include:

- ▷ **Bill Pay & Cash Flow Management** – Managing financial obligations such as mortgages, staff salaries, and household expenses
- ▷ **Private Aviation & Travel Planning** – Coordinating private jets, securing exclusive travel arrangements, and handling logistics
- ▷ **Real Estate Management** – Overseeing property acquisition, sales, and maintenance of luxury homes and vacation properties
- ▷ **Education Planning** – Helping families find the best schools and universities for their children, as well as structuring education trusts
- ▷ **Philanthropy & Impact Investing** – Assisting with the establishment of charitable foundations, donor-advised funds, and socially responsible investments

A well-structured family office becomes a trusted partner in all aspects of a family’s life, handling everything from day-to-day financial operations to long-term legacy planning.

WHY A FAMILY OFFICE?

For affluent families, managing wealth is not just about maximizing returns—it’s about preserving and growing wealth in alignment with family values and goals. A family office serves as a centralized, integrated team of professionals that ensures all aspects of financial, tax, legal, and lifestyle management working together seamlessly.

CYBERSECURITY AND DATA PRIVACY FOR FAMILY OFFICES: PROTECTING WEALTH AND PRIVACY IN AN INCREASINGLY DIGITAL WORLD



Family offices, which manage the wealth, financial affairs, and personal matters of high-net-worth families, handle vast amounts of sensitive financial data, personal identification details, and private family information. This makes them a prime target for cybercriminals. Over the last decade, cybersecurity breaches within family offices have become increasingly common, and statistics show that these offices are often at higher risk for targeted data breaches.

Studies show 28% of family offices and family businesses have experienced cybersecurity breaches. Family offices often function with small teams, have access to high-value assets and sensitive financial information, and represent well-known families or celebrities—all of which make them an appealing target for cybercriminals. Furthermore, unlike larger corporations, family offices frequently lack the robust corporate defenses that mitigate such threats.

Given these risks, it's crucial for family offices to implement effective cybersecurity measures and privacy protections to safeguard not only their wealth but their reputation as well. We have outlined five critical areas that family offices should consider when addressing cybersecurity risks.

1. DEVELOP A COMPREHENSIVE CYBERSECURITY POLICY

One of the first steps family offices can take to protect their sensitive data is to create a clear and comprehensive cybersecurity policy. According to CNBC, less than a third of family offices have well-developed cybersecurity policies, leaving them vulnerable. A robust policy should address the following elements:

- ▶ **Password management:** Encourage frequent password changes and the adoption of complex, unique passwords. A password manager can help ensure that staff do not reuse passwords across platforms.
- ▶ **Multi-factor authentication (MFA):** Using MFA can add an additional layer of security when verifying wire transfers and other sensitive transactions.
- ▶ **Encrypted communication:** For high-stakes personal and financial information (like social security numbers or legal documents), encrypted email should be a standard practice.
- ▶ **System backups:** Regular backups ensure that data is protected in case of cyberattacks like ransomware.
- ▶ **Virtual private networks (VPNs):** A VPN helps secure remote access to family office systems, safeguarding against external breaches.
- ▶ **Automatic updates:** Ensure that all software and devices are updated regularly to close security gaps.

2. INVEST IN REGULAR CYBERSECURITY TRAINING

Even the most advanced cybersecurity tools are ineffective if employees and family members are not properly trained. Many cyberattacks—especially those involving phishing and social engineering—exploit human errors. In fact, many successful breaches begin with a seemingly innocent email or message that convinces someone to share login credentials or click on a malicious link.

Training programs should be implemented regularly, covering topics such as:

- ▶ *Identifying phishing attempts and suspicious emails*
- ▶ *Secure practices for handling sensitive information*
- ▶ *Using dual authorization for financial transactions (especially wire transfers and large payments)*
- ▶ *The latest social engineering tactics used by cybercriminals*

It is also critical to include family members in training, as they can often become targets of fraud and cyberattacks as well.

3. PREPARE AN INCIDENT RESPONSE PLAN

It's not a matter of if, but when a cyberattack will occur. Having a well-structured incident response plan can mitigate the damage caused by a security breach. This plan should outline:

- ▶ *Roles and responsibilities of staff when a breach is detected (e.g., who is in charge of shutting down systems or communicating with authorities).*
- ▶ *A communication strategy to keep both internal and external stakeholders informed and up to date on the situation.*
- ▶ *Practice drills to ensure staff are familiar with the plan and can respond quickly and efficiently when needed.*

Regularly reviewing and revising the incident response plan ensures that your team is always ready to handle an attack.

4.

SET SECURITY STANDARDS FOR TECHNOLOGY VENDORS AND SERVICE PROVIDERS

Family offices often rely on outside vendors to manage various aspects of their operations, from IT support to legal and investment services. However, these vendors can introduce vulnerabilities to your family office if they do not maintain stringent security measures.

When engaging with technology providers or other service vendors, ensure that their cybersecurity protocols align with your family office's security standards. Here are a few key actions to take:

- ▶ **Request security audits:** *Ask vendors to share their cybersecurity policies and protocols. Have they undergone SOC (Service Organization Controls) audits, and can they provide the results?*
- ▶ **Ensure compliance:** *Ensure that vendors include adequate security measures in their contracts and service agreements, including detailed security reviews.*
- ▶ **Monitor their performance:** *Conduct regular reviews of third-party security measures to ensure they meet your requirements.*

5.

IMPLEMENT BACKGROUND AND CREDIT CHECKS

The internal staff of family offices often have significant access to sensitive data and financial resources. To reduce the risk of insider threats, it is essential to conduct thorough background and credit checks for all employees, including household staff and new hires. Regular checks ensure that the personal and financial circumstances of your employees do not create vulnerabilities that cybercriminals could exploit.

MAKE CYBERSECURITY A PRIORITY

Cybersecurity for family offices is not optional—it is a necessity. With cybercriminals becoming more sophisticated and family offices increasingly targeted, proactive protection strategies must be in place to safeguard against potential breaches. By implementing comprehensive cybersecurity policies, educating staff, preparing for incidents, and vetting third-party vendors, family offices can better protect their wealth, privacy, and legacy.

As cyber threats continue to evolve, family offices must remain vigilant. Regularly assess new threats, update security practices, and ensure that both staff and technology systems are equipped to handle them. With the right strategies in place, family offices can strengthen their defenses and ensure that their valuable assets remain secure.



THE FAMILY BUSINESS: WHY MOST DON'T LAST TO THE THIRD GENERATION

Family businesses are a cornerstone of the global economy, contributing significantly to employment and GDP. However, the journey of a family business is often fraught with challenges, particularly when it comes to longevity. A commonly cited statistic is that only about 13% of family businesses make it to the third generation, and a mere 3% survive to the fourth generation

THE THREE-GENERATION RULE

The “*three-generation rule*” suggests that family businesses are likely to fail by the third generation. This rule is rooted in the idea that the founding generation builds the business, the second generation maintains it, and the third generation squanders it. While this may sound like a cliché, there is some truth to it. The reasons for this phenomenon are multifaceted:

1. LACK OF SUCCESSION PLANNING:

Many family businesses fail to plan adequately for succession. The transition of leadership from one generation to the next can be a complex process, often leading to conflicts and power struggles within the family.

2. EVOLVING MARKET CONDITIONS:

The business environment is constantly changing. What worked for the founding generation may not be effective for subsequent generations. Adapting to new market conditions requires innovation and sometimes a complete overhaul of the business model.

3. FAMILY DYNAMICS:

Personal relationships and family dynamics can significantly impact business decisions. Conflicts among family members, differing visions for the future, and issues of trust can all contribute to the downfall of a family business.

4. FINANCIAL MISMANAGEMENT:

As the business grows, so do its financial complexities. Without proper financial management and oversight, even a successful business can face financial difficulties.

SUCCESS STORIES AND STRATEGIES

Despite the challenges, many family businesses do succeed and thrive across generations. Here are some strategies that can help ensure longevity:

1. EFFECTIVE SUCCESSION PLANNING:

Developing a clear and structured succession plan is crucial. This includes identifying potential successors early, providing them with the necessary training, and gradually transitioning responsibilities.

2. PROFESSIONAL MANAGEMENT:

Bringing in professional managers who are not family members can provide an objective perspective and help manage the business more effectively.

3. STRONG GOVERNANCE:

Establishing strong governance structures, such as a board of directors, can help in making unbiased decisions and maintaining accountability.

4. INNOVATION AND ADAPTATION:

Encouraging innovation and being open to change can help the business stay relevant in a rapidly evolving market.

5. COMMUNICATION AND CONFLICT RESOLUTION:

Open and transparent communication among family members is essential. Implementing conflict resolution mechanisms can help address disputes before they escalate.

While the statistics may seem daunting, with the right strategies and a proactive approach, family businesses can overcome the odds and thrive for generations. The key lies in balancing family values with professional management practices, ensuring that the business remains resilient and adaptable in the face of change.

PREPARING FOR THE FUTURE OF YOUR FAMILY: STRATEGIC WEALTH PLANNING FOR THE NEXT GENERATION



The largest intergenerational wealth transfer in history is underway, with an estimated US \$84.4 trillion expected to be passed down over the next 20 years. As the next generation prepares to inherit and manage this wealth, Family Offices face the challenge of ensuring that future family leaders are equipped not only to preserve the wealth but also to sustain the family legacy.

With so much at stake, it's essential to have a clear strategy for preparing the next generation to assume leadership roles within the Family Office. By adopting proactive approaches to succession planning and wealth management, Family Offices can help future generations navigate the complexities of wealth and leadership.

UNDERSTANDING THE NEXT GENERATION

The future leaders of affluent families are often Millennials and Generation Z. These young adults have grown up in a world shaped by rapid technological advancements, global connectivity, and shifting societal values. Unlike their predecessors—Baby Boomers and Generation X—these next generations tend to have different attitudes toward wealth, risk, and financial management.

For Family Offices, engaging these generations presents unique challenges. Understanding their distinct characteristics and aspirations is key to ensuring that they're prepared for the responsibility of managing family wealth. As uncomfortable as it may be, discussing succession is an essential part of the process. Building trust and open communication between generations lays the foundation for successful wealth transference.

PROACTIVE STEPS FOR FAMILY OFFICES

1. INITIATE OPEN COMMUNICATION

Succession planning should begin with conversations about family values and expectations. Early engagement allows younger family members to feel heard and included in the process. Open, transparent discussions that address financial matters, family traditions, and long-term goals will help ensure that all members are aligned. Building a shared understanding of what the family stands for—and how the wealth should be managed—is critical to fostering collaboration and trust.

2. INVEST IN FINANCIAL EDUCATION

A key component of preparing the next generation is providing them with the financial literacy and strategic decision-making skills they will need to manage wealth effectively. Family Offices should offer educational opportunities, such as inviting younger family members to attend family meetings or facilitating mentorship with wealth management professionals. By equipping them with the tools to understand investments, taxes, and long-term planning, Family Offices empower the next generation to take on future leadership roles with confidence.

3. ASSIGN MEANINGFUL ROLES AND RESPONSIBILITIES

One of the most effective ways to engage the next generation is by giving them real responsibilities within the Family Office. Encouraging them to contribute to key decisions, manage projects, or oversee specific aspects of the family's wealth allows them to gain hands-on experience. This will foster a sense of ownership and accountability, ensuring that they're ready to assume leadership positions when the time comes. Offering opportunities for younger members to explore different areas of the Family Office helps them identify their strengths and passions.

4. INTRODUCE EXTERNAL EXPERTS

While younger generations may be prepared to inherit wealth, they may not yet have the experience necessary to manage it effectively. Family Offices should consider engaging external advisors to help guide the next generation in their leadership roles. Wealth managers, legal experts, accountants, and financial planners can all provide invaluable insight and support during the transition, ensuring that the Family Office continues to operate smoothly and efficiently as younger family members take the reins.

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WEALTH-BUILDING STRATEGIES FOR THE NEXT GENERATION

In addition to preparing for leadership roles, it's equally important to implement wealth-building strategies to secure the future of the next generation. Here are five effective methods to help ensure long-term growth and tax advantages for younger family members:

1. OPEN A 529 COLLEGE SAVINGS PLAN

A 529 plan is a tax-advantaged way to save for a child's or grandchild's education. Contributions grow tax-deferred, and withdrawals used for qualified education expenses are tax-free. This savings vehicle can be a powerful tool not just for college tuition but also for primary and secondary education, depending on the state.

2. ESTABLISH CUSTODIAL ACCOUNTS

Custodial accounts under the **Uniform Gifts to Minors Act (UGMA)** or **Uniform Transfers to Minors Act (UTMA)** allow you to transfer assets to a minor, with you serving as the custodian until the child reaches the age of majority. Although earnings in these accounts are not tax-deferred, custodial accounts provide an easy way to transfer wealth and allow minors to manage their assets at the appropriate time.

3. CONSIDER A ROTH IRA FOR CHILDREN OR GRANDCHILDREN

A Roth IRA can be an excellent wealth-building tool for children who have earned income, such as from a part-time job. Contributions to a Roth IRA grow tax-free, and withdrawals in retirement are also tax-free. Starting early with a Roth IRA can yield significant long-term benefits, as compounding growth over decades can turn small contributions into substantial sums.

4. EXPLORE PERMANENT LIFE INSURANCE

Permanent life insurance policies, such as whole life or universal life, can help build cash value over time that grows tax-deferred. This cash value can be accessed for important milestones like education, home purchases, or other needs. Additionally, the death benefit provides a way to pass down wealth, ensuring that the family's legacy endures.

5. ESTABLISH TRUSTS FOR CHILDREN AND GRANDCHILDREN

Trusts are an effective way to pass down wealth while providing control over how and when heirs receive their inheritance. A revocable trust allows you to maintain control during your lifetime, while an irrevocable trust offers tax advantages and greater protection from creditors. Trusts can be customized to meet the family's needs, ensuring assets are distributed according to the family's goals.

A STRATEGIC APPROACH TO BUILDING A LEGACY

Preparing for the future of your family requires more than just passing down wealth—it's about ensuring that the next generation is equipped to manage and grow it. Family Offices that engage in proactive succession planning, foster open communication, and provide meaningful education and responsibilities can help prepare younger family members for leadership roles.

By implementing wealth-building strategies like 529 plans, custodial accounts, Roth IRAs, life insurance, and trusts, families can not only secure the financial future of their children or grandchildren but also empower them to live fulfilling lives without the burden of debt or financial uncertainty.

In the end, the goal is not just to preserve wealth but to create a lasting legacy of financial literacy, stewardship, and success for generations to come. A well-prepared next generation can ensure the family's prosperity while honoring its legacy and values.

SAFEGUARDING YOUR LEGACY: THE POWER OF WILLS AND TRUSTS FOR FAMILY OFFICES



Planning for the future is essential to ensure your family's wealth is preserved and your assets are distributed according to your wishes. Two primary estate planning tools are wills and trusts. While both serve to manage and distribute assets, they have distinct differences that impact how your estate is handled after your passing. Understanding these differences can help family office members make informed decisions about which option—or combination of both—is best for them.

WHAT IS A WILL?

A will is a simple legal document that allows you to:

- ▶ *Name guardians for your children and/or pets.*
- ▶ *Designate how your assets will be distributed after your death.*
- ▶ *Specify funeral arrangements.*

The creator of the will, known as the testator, appoints an executor to carry out their wishes. However, even with an executor in place, a will must go through the probate process, where a court oversees the distribution of assets. This can delay the process and incur additional costs for your beneficiaries.

WHAT IS A TRUST?

A trust is a more comprehensive estate planning tool that provides greater control over how and when your assets are distributed. Unlike a will, a trust can help you avoid or minimize the probate process, ensuring a smoother transfer of assets.

Several types of trusts exist, each tailored to different goals. However, for a trust to be effective, it must be funded—this means transferring ownership of your assets, such as property and accounts, into the trust.

The person who creates the trust, known as the grantor, appoints a trustee to manage and distribute assets according to the trust's guidelines.

KEY DIFFERENCES BETWEEN A WILL AND A TRUST

TIMING

- ▶ *A will takes effect only after death.*
- ▶ *A trust is effective as soon as it is created and can be used to distribute assets before or after death.*

PROBATE PROCESS

- ▶ *A will must go through probate, where a court validates it and oversees asset distribution. This process can take an average of 18 months and incur fees ranging from 5-7% of the estate's value.*
- ▶ *A trust bypasses probate, allowing assets to be distributed more efficiently and privately.*

PRIVACY

- ▶ *Wills become part of the public record through probate, meaning anyone can access details about your assets and beneficiaries.*
- ▶ *Trusts remain private, keeping financial matters confidential.*

TAXES

- ▶ *Trusts can help reduce estate taxes and protect assets from creditors. Federal estate taxes range from 18% to 40%.*
- ▶ *A will does not provide tax advantages or asset protection.*

DO I NEED A WILL, A TRUST, OR BOTH?

Many family office members benefit from having both a will and a trust. The best combination can be determined based on personal and financial circumstances.

If you have minor children, a will is necessary to designate their legal guardians. A trust can help ensure your assets are managed and distributed according to your wishes while avoiding probate.

A comprehensive estate plan often includes a Pour-Over Will and a Living Trust. A Pour-Over Will acts as a safety net, ensuring any assets not placed into the trust during your lifetime are transferred into it upon your death.

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TOP REASONS TO CONSIDER A TRUST

PROTECTING CHILDREN'S INHERITANCE

- ▶ **From divorce:** *Without a trust, an inheritance could be divided in a divorce settlement. A revocable living trust ensures assets remain with your child.*
- ▶ **From remarriage:** *A **Qualified Terminable Interest Property (QTIP)** trust can protect children from a previous marriage from being disinherited.*

CONTROLLING HOW BENEFICIARIES SPEND THEIR INHERITANCE

- ▶ *Trusts allow for structured distributions, ensuring beneficiaries use funds responsibly. Many trusts limit spending to "health, maintenance, education, and support" until beneficiaries reach a certain age.*

MINIMIZING ESTATE TAXES

- ▶ *A family trust can help eliminate or reduce estate taxes, preventing heirs from facing significant financial burdens.*

PROVIDING FOR A CHILD WITH SPECIAL NEEDS

- ▶ *A Special Needs Trust ensures financial support for a disabled loved one without jeopardizing government benefits. Options include third-party, pooled, and self-settled trusts.*

ENSURING MANAGEMENT OF ASSETS DURING INCAPACITY

- ▶ *A revocable living trust appoints a trusted individual to manage assets in case of illness or incapacity, ensuring continuity in financial matters.*

AVOIDING PROBATE IN MULTIPLE STATES

- ▶ *If you own property in multiple states, a trust eliminates the need for separate probate proceedings in each location, saving time and legal expenses.*

PROTECTING ASSETS FROM CREDITORS

- ▶ *Upon the grantor's passing, a revocable living trust becomes irrevocable, shielding assets from lawsuits and creditors.*

STEPS TO ESTABLISH A WILL AND TRUST

Estate planning is not one-size-fits-all. Here's how to prepare:

IDENTIFY YOUR GOALS

- ▶ *Are you focused on asset protection, providing for loved ones, minimizing taxes, or all of the above?*

TAKE INVENTORY OF YOUR ASSETS

- ▶ *List real estate, investments, insurance policies, and other valuables that need to be included in your estate plan.*

COMMUNICATE WITH LOVED ONES

- ▶ *Ensure family members understand your decisions regarding guardianship, trustees, and the management of assets.*

Wills and trusts each play a crucial role in estate planning, but they serve different purposes. While a will ensures your final wishes are honored, a trust provides greater control, privacy, and protection for your assets. A combination of both may be the best approach to secure your estate and your family's future.



THE CERINI DIFFERENCE: YOUR FAMILY OFFICE, OUR EXPERTISE

At Cerini & Associates, we understand that your family office is unique. We take the time to learn about your family's specific goals, both personal and business-related. Our commitment is to ensure that we meet and exceed your expectations by aligning our services with your broader objectives. Our extensive knowledge in handling complex financial situations allows us to offer tailored solutions for your family office. With prior experience working with family offices, we know the intricacies involved in managing wealth and assets. Let us handle the day-to-day operations, so you can focus on the bigger picture—growing your legacy. We work directly with your legal and wealth advisors, ensuring that all aspects of your family's financial world are seamlessly integrated. With Cerini & Associates, you're not just getting an accountant—you're gaining a trusted partner in navigating the future of your family's wealth.

*Connected to Your Goals,
Connected to Your Future.*



Borghese is the partner overseeing the outsourced department, bringing a wealth of knowledge and experience in outsourced accounting. He plays a key role in software integration, ensuring seamless processes for clients. With a focus on family office-driven solutions, Borghese helps streamline accounting functions and provides tailored strategies to meet the unique needs of family offices. His expertise in both accounting and technology allows him to offer comprehensive, efficient solutions.

ALBERT BORGHESE, CPA | PARTNER | ABORGHESE@CERINICPA.COM



Cerini focuses on nonprofit, education, and healthcare providers, with over 35 years of experience. He brings business acumen and a focus that goes beyond traditional accounting, emphasizing the unique needs of family offices. Ken is extremely responsive and a strong advocate for his clients, ensuring that their goals are met with tailored financial solutions.

KEN CERINI, CPA, CFP, FABFA | MANAGING PARTNER | KCERINI@CERINICPA.COM



McWilliams has extensive experience in tax planning, focusing on high-net-worth individuals and family offices. His deep understanding of tax law, combined with his vast experience working with complex tax issues, allows him to provide specialized advice in areas such as tax compliance, controversy, international taxation, and state and local taxes for these clients. Additionally, he has significant expertise in business advisory services, helping individuals and family offices optimize their organizational effectiveness and profitability.

EDWARD MCWILLIAMS, CPA | PARTNER | EMCWILLIAMS@CERINICPA.COM



Lutz is a tax planner with extensive experience working with high-net-worth individuals and families. He brings specialized knowledge in tax planning, along with a strong understanding of cyber and IT concerns, to address the unique challenges faced by his clients. His expertise allows him to develop comprehensive strategies that consider both financial and technological complexities, ensuring optimal solutions for his clients' tax and security needs.

JACOB LUTZ, CPA, MBA | DIRECTOR | JLUTZ@CERINICPA.COM



Lospensuso is a Supervisor in Cerini & Associates' Outsourced Accounting department, specializing in financial management and advisory services for family offices. With 20 years in the accounting industry—seven in public accounting with a national firm and 13 in the private sector—she brings deep expertise in financial oversight and the responsibilities of a Controller to the Accounting Assistance team.

HEATHER LOSPENUSO | SUPERVISOR | HLOSPENUSO@CERINICPA.COM



Meola is a Supervisor in Cerini & Associates' Outsourced Accounting department, specializing in providing comprehensive financial management, bookkeeping, and advisory services for family offices. With an extensive background in family office accounting, she has been working directly with high-net-worth family offices for over 15 years, navigating complex financial structures, ensuring accurate reporting, and optimizing wealth management strategies.

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**CERINI
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THANK YOU TO OUR CONTRIBUTORS



Kuttin Wealth Management
Accountant/Investment Advisor/Retirement Practitioner



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