

# **YOUR FAMILY - OUR SUPPORT**



## INTRODUCTION

Over the years, our clients have come to value the services we offer, and have requested that we assist them with their wider affairs as we become their trusted advisers. Our family office support services are borne from our relationships, expertise and flexibility in the service offered to families over the nearly 90 years we have worked together.

## RAWLINSON & HUNTER LLP

The breadth and quality of our service and our ability to become integral advisers to families, their holding structures and businesses sets us apart. Our fundamental mission is to seek to provide our clients with a level of professional and personalised service which is second-to-none.

**We pride ourselves on our partner & director-led, client-first approach.**

**We respond quickly, accurately and efficiently.**

**We provide the high fidelity and confidential service that clients expect.**

**We provide advice and have the strength of our convictions to “get off the fence”.**

**We bring years of first-hand, deep experience of the matters on which we advise.**

Whilst our service offering is broad, the nature of our involvement with clients inevitably requires us to work seamlessly with other advisers to ensure that collectively we can provide an exceptional service to clients.

Clients of R&H benefit from an experienced team and have direct access to our international network of professional firms which include Australia, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Jersey, New Zealand, Singapore and Switzerland.

“The partners and staff at this Firm are remarkably good at what they do. My theory is that the exceptionally high quality of clients which we have at this Firm lead to all of us developing exceptional qualities and skills in order to service them. The end result is that as a Firm operating in our area of practice, we are in an elite group of one.”

David Barker – previous managing partner on his retirement.

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# ESTABLISHING A FAMILY OFFICE

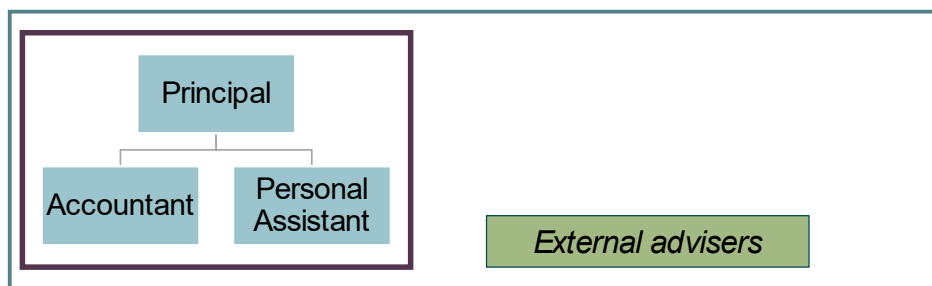
## YOUR FAMILY OFFICE

As families become increasingly global, assets more complex, threats more sophisticated and as great wealth transfers from one generation to the next, the need to have a plan of action is paramount.

Of course, every family has its own unique set of requirements meaning there are as many types of family structure or “office” as there are families. A “family office” (should one be decided upon) should reflect the personality, values and culture of the family that created it. It is a practical and living concept – not, as some suggest, a mysterious or complex one.

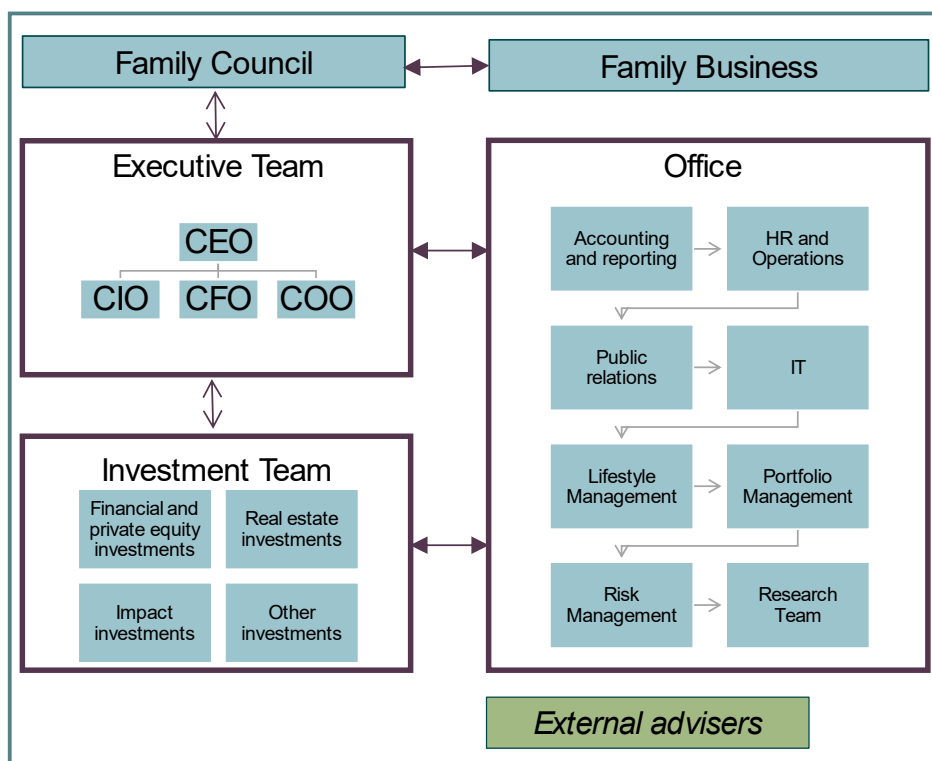
Some family offices provide basic support, or exist purely to monitor investments under the mandate from the family; others may coordinate all of the family’s financial and lifestyle needs. A family office should have the space to grow and may be borne from a “principal’s office” structure (see fig.1), a simple arrangement between principal and assistant or project manager but with the support of external advisers including accountants, tax advisers, insurance advisers, investment managers, lawyers and other consultants. In many cases (and particularly early in the cycle of wealth), such simplicity provides the full extent of the services the family require without the need to enter into employment agreements and manage HR responsibilities. As the wealth and family grows and succession moves up the agenda, the need for structure and trusted independent advisers typically increases.

Fig. 1 Principal’s Office



There are many options in-between the more informal “principal’s office” structure in fig. 1 and the comprehensive fuller service family office structure set out in fig. 2.

Fig 2. Full Service Family Office



In considering changes to the model adopted, a principal should not underestimate the responsibility of employment of their own staff and the HR commitment which flows from that. In all robust structures there is a common theme; the existence of specialist advisers on hand with experience to deal with a breadth of matters.



## OUR SUPPORT

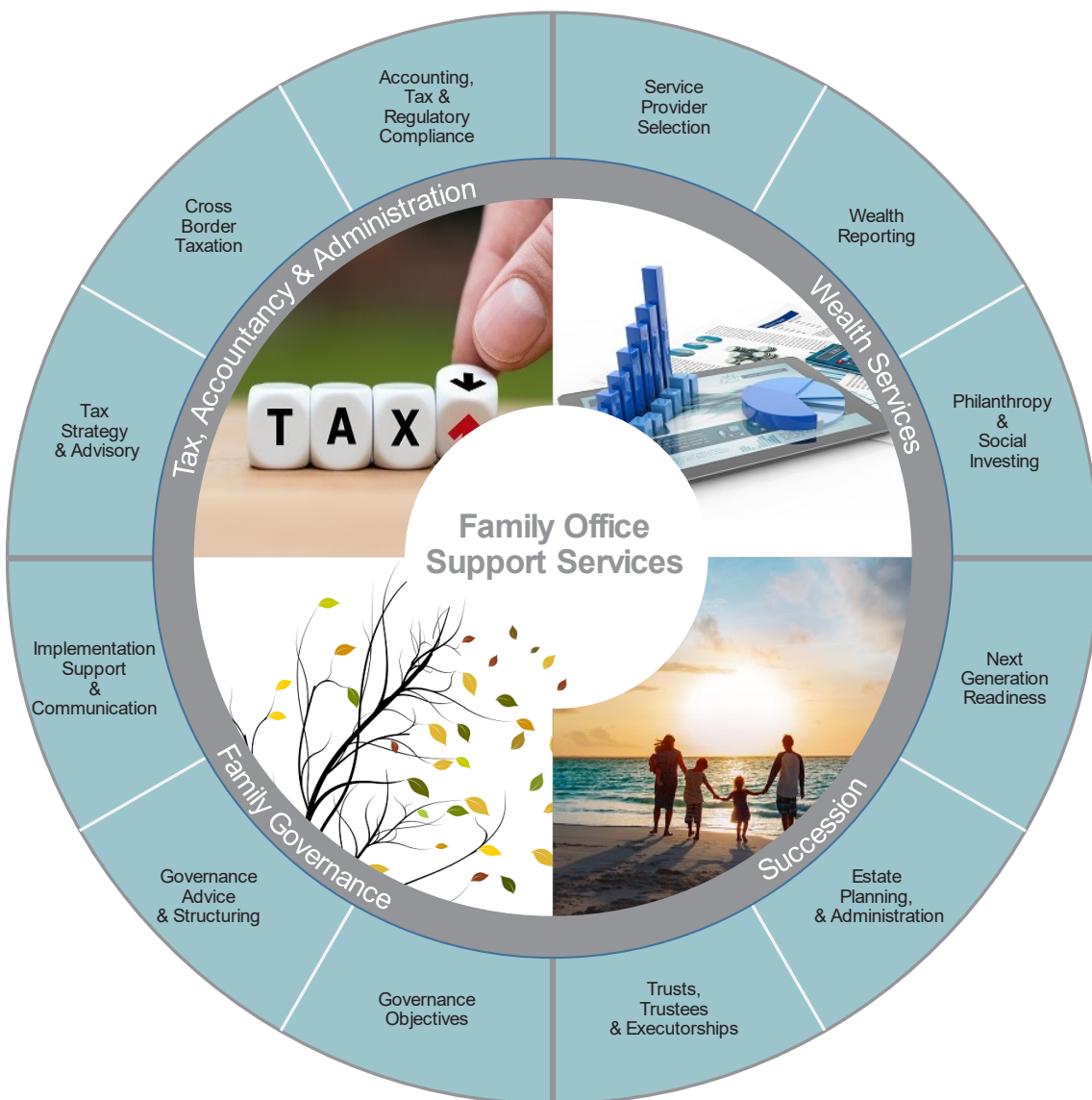
We assist families in developing a strategy for their unique needs, be it a full family office or the creation of a new structure or function to deal with servicing a specific need or project.

For any establishment, restructuring or transition of a family office, we aim to advise clients to put in place an efficient operating and tax structure with appropriate, sensible governance which is effective and relevant for the family.

Three key issues to be addressed when considering the establishment of a family office have been set out and considered further in the coming pages:

Where is the family office situated and how is it structured?

The range of services our specialist teams at R&H have been delivering to families over many years are depicted below. Our expertise in each area combines to provide families a full service offering alongside their investment, legal and other professional relationships.



## FAMILY OFFICE PURPOSE

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When considering the family office and what the principal/family is seeking to achieve from its establishment, there is likely to be a shared purpose of the family which is often unsaid and even less often written. The family will have a unique outlook, ethics and ethos, many aspects of which should be reflected in the family office establishment, operation and governance.

Some drivers for establishing a family office might include;

- Wealth preservation and growth through clear investment goals and well planned structures.
- Preservation of the family ethos and providing a structure through which to establish fairness and avoid or resolve conflict.
- Tax risk management.
- Succession planning for a family business. Education of future generations, including education on business and investment matters.
- Administrative support and compliance.

At R&H, our experience supports families in formulating a strategy and to document their shared purpose. We encourage families to consider their vision for the family office and what it should seek to accomplish over the medium to longer term. Taking the time to identify and articulate a “shared purpose” allows the medium to longer term strategic thinking, current day structure and long-term governance arrangement to be agreed and formalised.



## THE FAMILY STRUCTURE & SITUATION

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As the global tax and legal landscape continually evolves, ever increasing complexity presents a web of options for families to navigate when considering the jurisdiction(s) in which they establish themselves and hold their assets. Any structure is going to need to attempt to address certain aspects of the jurisdiction in which the family finds itself including the taxation regime, forced heirship rules and the jurisdiction's recognition of trusts and foundations, for example.

- Key lifestyle considerations for international families which may be overriding factors in these decisions include the location of the family residence and potential to relocate. Jurisdictions in which financial affairs are often structured present a wide spectrum of lifestyle choices to families, assuming the family will spend a proportion of time in that jurisdiction. Way of life, languages, hobbies, work location, safety/security and education are likely to play into decisions.
- It is not necessary for the family structure to be in the same jurisdiction as the family's residence but family presence may be beneficial to certain arrangements. This is particularly the case where family members are active on boards and in decision making. The availability of residency visas for family members (and family office staff should they be co-located) will be relevant.
- Regulation and the legal framework of the jurisdiction are vitally important. One with significant amounts of red tape can lead to frustration and a slowdown effect of completion of projects, but too little regulation may result in a future "black-listing" of the jurisdiction by international bodies and risks reputational damage for the family. The legal systems, international compliance and political stability should be assessed as part of the decision making process and will be relevant to the chosen structure.
- The jurisdiction's tax regime will need to be considered and its international tax cooperation, including its commitment to measures such as the global minimum tax rate.
- People and relationships are at the core of a successful family office. Being able to select the best employees and having access to expert professionals with the relevant experience and approach to suit the family's needs should not be underestimated. Access to such individuals does vary according to the jurisdiction and should be analysed as part of the decision making process.

With a broad network of offices and a wide understanding of the considerations which play into decision making, R&H can help a family to identify the most appropriate jurisdiction for the family office, structures and assets. We have substantial experience on the ground in a number of typically preferred jurisdictions and offices in many of the locations above. Further information on certain overseas offices are included in Appendices 2 - 3.

## ROLES & RULES OF THE FAMILY OFFICE

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The roles and rules around managing, controlling, growing and distributing family wealth require interactions between family members and non-family employees. The reporting lines and responsibilities of the structure are the key to its success. The most dynamic and complex area is the concept of family governance.

The governance structure is often derived from a family deed or constitution which may be the product of the articulation of the family's shared purpose. A well crafted document should provide the framework for the family to formulate answers to questions not yet posed.

Family members should be able to understand their and their relatives' roles in the family structure, their access to the family wealth and any support a family office and professionals may give to them. The structure should, ideally, incorporate a clear information flow to ensure strong levels of communication and a depth of understanding as to how the key roles will be filled and decisions made.

We can assist with the design and implementation of the optimal organisation structure for the operation and management of the family and play a valuable role when considering the potential responsibilities of an advisory board, family council and external advisers. We can take seats on boards where appropriate.

Our understanding of family dynamics and the complexities of assigning and rewarding roles helps us to support the family.

## Your Family – Our Support





## FAMILY OFFICE SUPPORT SERVICES

### TAX, ACCOUNTANCY & ADMINISTRATION

Tax regimes globally change constantly. A family's taxation and wider reporting responsibilities cannot be put to one side and are ever more likely to require a global perspective. Exposure to reputational damage for families with respect to their decisions around taxation and their ability to comply is an increasingly relevant consideration.

### TAX STRATEGY & ADVISORY

We can assist in the construction of a tax plan for the family. This is likely to be broad to encompass the unique complexity of the family and their wealth and the breadth of taxes which may be in point across the UK and internationally.

Establishing the right structure for the family is an essential part of an effective family office and the management of a family's wealth and succession more widely. The taxation of the structure and the family members connected could, if well advised, be optimised to maximise returns, retain capital value and accommodate generational shifts in ownership and management.

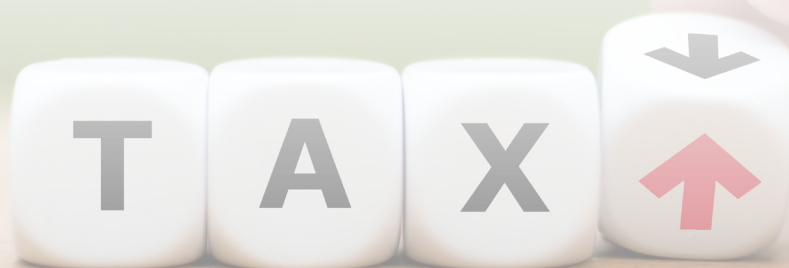
Robust structures should be able to withstand all manner of life events without surprise tax bills landing in the hands of a family member at a challenging time.

R&H's experience enables us to balance the tax and human dynamics to come to practical but effective solutions.

*A Swiss based family had no connections to the UK until an English boyfriend lured a daughter to London, from where she wanted to help run the family investment business. The advisers, working together in Switzerland and the UK, sought a solution to give the daughter her wish while not damaging what was a very long established offshore structure.*

*The non-domicile remittance basis remains a very attractive regime, despite recent charges, and with appropriate structuring the daughter was able to reside in the UK and only pay UK tax on her UK salary. A house was purchased in London and other expenses met without additional UK tax charges.*

*The family investment business investment decisions were still made in Switzerland but the daughter had an office in the UK. In that office, she and her staff met with investment advisers, undertook financial analysis etc. and made detailed recommendations on investment strategy. These were then considered by the family investment committee.*



## CROSS BORDER TAXATION

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Cross border taxation applies in multiple aspects of the affairs of families. Whether it be through optimisation of structures and the location of assets internationally or the relocation of the family, taxation in multiple jurisdictions and their interaction requires attention.

In a global world, many wealthy individuals have organically, or opportunistically, diversified their assets across multiple jurisdictions. It is fair to say that many wealthy families have, or are contemplating, cross border interests relevant to structuring their wealth.

There may be a need for established structures to be assessed for ongoing suitability for the family and the changing economic landscape. This is particularly pertinent in an increasingly globally transparent tax world and the possible introduction of global minimum tax rates. These would be key factors in the planning and execution of any new structure or material changes to existing structures brought about by macro-economic or geopolitical issues.

The years of experience across the R&H team means we have seen a number of significant changes in the tax landscape which we have navigated alongside our clients. The current drive towards international transparency and fairness is clear and a review of arrangements is advisable. Be it the initial steps to establishing a structure, assessment and restructuring of current arrangements or structuring for an acquisition or disposal of a business, property or other asset R&H can help. With taxation in all its forms at the foundation of our services, a dedicated property taxes team and a wealth of international experience, R&H can deliver.

As the world changes, individuals are regularly reconsidering their priorities. An international relocation can give rise to sudden changes to an individual's tax affairs, particularly where a high personal tax jurisdiction is involved, such as the UK.

Individuals are not only preparing for a change in their lifestyle and tax residency but the possible impact on domicile should not be ignored given the significant impact that tax residence and domicile can have on taxes on succession.

R&H can advise on how to achieve a relocation in a tax efficient manner, exploring the opportunities and issues that a relocation may present to the individual's (and potentially the wider family) tax affairs.

We work with our network and contacts internationally and our clients' local teams to assist with global reporting and compliance responsibilities.

*Our client contemplates a relocation to the UK from Singapore following the disposal of a substantial international business.*

*The potential relocation required us to consider changes in our client's domicile over the years, the previous settlements of assets onto trust and the impact on the wider family. Our client's affairs had grown increasingly international, his wealth substantial and his relationships increasingly complex. This exercise required extensive coordination with the individual, the family office, lawyers and our overseas network.*



## ACCOUNTING, TAX AND REGULATORY COMPLIANCE

Global standard setting and individual government initiatives continue to drive the need for increased compliance. This applies to individuals and their structures and, generally, an increased compliance burden is a product of more complex structures.

R&H deliver the core compliance services with the flexibility of a large, highly qualified and experienced team to ensure consistency and quality of service day in, day out. With the breadth of our knowledge across the service lines of the firm we are also able to offer a highly relevant and complete service which many internal finance functions would struggle to match.

Accountancy services include bookkeeping, management reporting, statutory accounts preparation, consolidation, indirect tax compliance, budgeting, forecasting, cash flows, payroll, audit & assurance services, including due diligence & forensic accounting.

We have a complete service of UK tax compliance for individuals, companies, partnerships, trusts and other structures and work with HMRC on their enquiries. Our interactions extend internationally with our network and other advisers to ensure the appropriate tax is paid in the appropriate jurisdiction where there are cross-border movements and interests. We ensure the reporting at the appropriate level of the structure under the exchange of information by ensuring compliance with Common Reporting Standards (and FATCA).

Other compliance responsibilities of families and their structures may include corporate secretarial compliance, FCA reporting, trust registration and registration and compliance around UK property ownership, all of which may be handled by our team of professionals. Payroll processing is a vital compliance function which we operate for many families; it is sometimes limited to a handful of household staff. In support of employment related matters, our in-house HR experts play a crucial role in the prevention and management of related issues.

*Forensic accounting may be a broad term but families are seeking assurance around their books and records as well as their operating structure increasingly. This is often driven from ensuring fairness across family branches or individuals as well as concern over long established structures, the costs of which have been left to balloon over the years.*

*In a recent contentious engagement, under the most strict controls, we have analysed lines of data to present the source and allocation of family funds, enabling realignment of wealth to take place.*

*Under multiple separate engagements, we perform analysis and benchmarking for families on the costs of their structures and engagements and seek to support the family to find efficiencies.*



## WEALTH SERVICES

Very often at the centre of a family office is the investment strategy. This strategy may be long established and without the need for change or sometimes brand new and to be developed. R&H specialise in supporting families and their offices with the provision of professional services to those with and without in-house investment expertise. As part of our professional services offering, we may act as the finance department to families and their structures or investment back-office, leaving their trusted investment professionals to focus on the family's investment strategy and portfolio management.

Our services include the structuring of investments including through charities, foundations and social enterprises. We work with financial service providers to support families and their offices with wealth reporting, payments, cash flow monitoring, management accounting and compliance support. We are on hand to support decisions around service provider selection and offer our expertise on advisory boards.

## SERVICE PROVIDER SELECTION

The relationships we develop with our clients give us the understanding of the long-term goals and aspirations of the family. We come to understand their time horizons, income expectations, risk profile, liquidity needs, preferences around the type of investment (including their approach to ethical investing) and other aspects of their overarching investment strategy. This assists us to take an informed approach to the investment adviser selection process such that those presented for the family's consideration are the most suitable. Each process is designed to be unique to the client but generally includes an invitation to propose services, due diligence, a short-listing and the hosting of a detailed proposal to the family along with follow up support around the family's decision. We have an extensive international network to support the family in achieving their goals.

Service provider selection may include investment advisers, lawyers, banks and international advisers. Whether a full Request For Proposal (RFP) process is required or simply a short meeting series, R&H will design an appropriate selection process and manage that process on behalf of, and alongside, our clients.

*Following the unexpected passing of her spouse, our client became an employer of 20 staff overnight and inherited a significant portfolio of artwork, properties and financial investments. While an expert in the field of art and a skilled property investor herself, managing investments and staff were new responsibilities.*

*An investment adviser was selected and given a mandate to manage her asset allocation and select fund managers. R&H were appointed to the investment committee which met on a quarterly basis. Our appointment enables our client to focus on the decision making with the support of sound and independently monitored information through our investment reporting service.*

*Managing staff became an area of new keen interest. The team was re-established to 12 full-time staff with employment contracts, covering multiple disciplines, including private secretaries, housekeepers, chefs, security, a curator and a driver. We established contracts with our in-house HR experts at R&H drafted specifically to define each staff member's responsibilities and expectations, playing a key role in salary negotiations and ongoing support. With R&H's external support, our client manages her staff with confidence.*





## WEALTH REPORTING

Being responsible for an investment structure is no small task, especially when working with a variety of different information sources. Clear information and consistent analysis are key to enable objective decision making.

Our service is designed to create a golden record, enabling consistent investment reporting, performance analytics, income/expenditure analysis, management accounting, statutory accounting and trust accounting.

R&H apply the same measurements, standards and independent valuations across the structure, creating an impartial view that is autonomous from the investment making process.

We are committed to give our clients the whole picture. We capture all transactions at the granular level, creating a mirror of all assets and liabilities within our investment platform. We automate data flows wherever possible via our bank feed network, yet we are not afraid to capture data manually with the correct controls in place. This level of data capture facilitates fully flexible analyse that can focus on individual accounts, portfolios, legal entities, family members or any combination of these, even consolidating the entire structure - the possibilities are endless. We have implemented industry leading investment ledger software that enables the preparation of sophisticated wealth reporting with custom designed presentation.



The interface between our investment ledger and general ledger, was developed in a working partnership between R&H and a leading software provider.

While we have a library of over 600 existing reports, all report design can be completely bespoke, written by our in-house developers to the exact requirements of each recipient. The end result of this effort will be to give all stakeholders the information that they need, in the format they need.

Our powerful core architecture allows us to import or export data at any stage, and to interface with our client's own systems, such as their own general ledger, or their front office trading platform. This produces a powerful two-way or three-way reconciliation between systems, further strengthening confidence that the records of all parties are accurate.

*Our client came to us at the time of a >US\$1billion liquidity event requiring our support with complex restructuring and ongoing reporting.*

*Working closely with the family office it quickly became clear that the bedrock of the restructure would be reliable information upon which to make informed decisions. There were a number of stakeholders who needed different forms of information. With a complex investment structure (comprised of a large volume of trusts, companies and foundations), high levels of automation and reconciliation were needed to ensure that data accuracy and integrity would be maintained.*

*R&H utilised our systems to enable a common core processing engine, with flexible data inputs. We established data feeds with the existing fund managers and custodians and established an investment record from before the liquidity event, therefore capturing the entire performance history. The system enables a three-way reconciliation to ensure the data is uncompromised. Bespoke investment reporting is provided to each stakeholder.*

## PHILANTHROPY & SOCIAL IMPACT INVESTING

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There is a growing interest in philanthropy and charitable giving, not only through donations made direct to individual charities, but also in creating and running new charities and making social investments. Such investments not only provide the obvious benefit to society or the environment but can go beyond in the family context. It is often that social investment is part of a family's shared purpose and supports family unity.

We advise on the creation of new charities and structures for philanthropic activities, whether by way of a trust, foundation or corporate vehicle.

We provide assistance alongside legal advisers on the establishment of the structure including consideration of the jurisdiction, the charitable purpose and range of activities which may be supported. We register and administer a wide range of grant-making charitable structures as well as providing board seat members and trustees (corporate and individual).

We may provide advisory and reporting support for a family's social impact investing be it as part of an investment portfolio and mandate to an investment adviser or as part of a separate structure.



## SUCCESSION

Succession planning is an essential element to ensure the effective transition of management and ownership of the family business or wealth from one generation to the next. It is a combination of the non-technical (readiness, values and communication, etc) and technical (tax planning, estate & executorship appointment, trust establishment, etc.) which see the effective family wealth transition from one generation to the next.

## NEXT GENERATION READINESS

A transition requires the engagement of key family members to be effective.

The senior generation are likely to be required to initiate the first steps to a transition. There may be a release which has to occur, letting go of control of the business and/or wealth which has been driven, managed, and nurtured by them for, perhaps, many decades. The next generation have to be interested, skilled, and prepared to take on the responsibilities which come to them through the transition.

The earlier the planning can commence, the more time there is for the family members concerned to accept the arrangements, to adapt, to educate and train, to align their purpose and for the senior family members to release control with confidence.

The next generation are likely to benefit from the acquisition or refinement of skills for the effective takeover and running of the business.

The planning and execution of a transition should be taken slowly and the common misconception that the transition of management and ownership should take place concurrently borne in mind.

A restructuring is often part of the transition phase, particularly for the first transition (the most challenging) where there is a move from centralised ownership to a shared form of control.

The move from first to second generation introduces risks for the family business which it is essential to mitigate.

*An entrepreneur who had built a large, successful trading company was now in his mid-60s. An energetic driver of the business with a strong management team, he recognised the need for a plan and the challenge of transitioning the business to the next generation.*

*He had two sons, each in their 20's, but he was uncertain as to their desire or ability to run the business.*

*The tax issues around the transition were the easy bit – capital gains tax and inheritance tax reliefs meant the shares could move across the generations without a tax charge. Far more difficult were the questions like “are the sons ready?”; “if one son comes into the business and the other doesn't, should the first son receive more shares?”; “how do I retain control – or rather how do my sons stop me from interfering but still make me comfortable about the future of my business?”.*

*In this case a successful strategy saw the father in regular dialogue with his sons, with open conversations often facilitated and structured by his advisers. The outcome was two distinct roles for each son, neither initially directly connected with the business. One son was appointed to build and manage the family investments and he built a successful private office. The second son took charge of the family charitable works and built a very active charity, its objectives linked to the core family business.*

*This enabled each son to develop his interest and skills and to discover where his passions would take him. These activities also enabled the father to have increased confidence in his sons and to appreciate that they were indeed “a chip off the old block”. After this initial path, each son moved to work alongside his father; one has now succeeded him as chairman. The other has taken the Company into Australia and started its global growth.*





## ESTATE PLANNING & ADMINISTRATION

Estate planning demands a detailed appreciation of the circumstances of families and the flexibility to respond to developing circumstances and wishes, to act and prepare in the family's best interests.

For UK connected clients, for example, opportunities should be considered to protect family wealth with the incorporation of tax planning through the use of lifetime gifts, trusts, family limited partnerships and family investment companies.

In certain civil law jurisdictions forced heirship is likely to drive families to structure their affairs to ensure the heirs are not solely determined by the applicable forced heirship laws.

Outright gifts are straightforward but could lead to frivolous spending or marital exposure whereas operating via a trust could prove to be overengineered. Nonetheless, trusts, established both in lifetime and on death are a powerful tool in protecting wealth and ensuring it is put to use in the way the settlor intended. Trustees should act with reference to the express wishes of the settlor, this provides comfort that the family wealth is invested, enjoyed and utilised as foreseen.

Following the initial planning, regular reviews of the estate and beneficiaries as well as detailed illustrative calculations keep families aware of their potential liabilities and the opportunities available to them. Keeping up with changes in assets, structures, evolving family dynamics and relationships is essential to protect wealth and to avoid dispute and inequity.

We work seamlessly with other professionals to ensure crucial documents such as a Will, letter of wishes, trust agreement and powers of attorney are appropriately prepared as a part of the family's estate plan. R&H may design and implement the estate planning for the family and act as professional trustees or in other fiduciary roles.

On the passing of a family member, dealing with estate administration can add to an already stressful time. As an independent professional estate administrator, named executor and/or Will trustee, R&H and its individual partners can help alleviate the burden of administering the estate, acting alone or with family members or other professionals.

We have all the necessary experience to deal with the administration of the estate (from the initial application for probate; identification, safeguarding and collection of estate assets; and Will interpretation); to the final distribution. A professional executor or estate administrator based in a specific jurisdiction may be preferred when administering the assets of a resident, citizen or individual domiciled in a particular jurisdiction, or certain situs assets such as real estate.

Our international network enables us to work with the family to provide the most appropriate team either via our network or our extensive connections with trust and estate practitioners globally.

### *Recent experience in probate and estate administration matters:*

- *In a non-contentious probate application, we were required to perform a valuation of unquoted shareholdings and considered complex issues with regard to business / agricultural property reliefs.*
- *We have analysed and presented complex domicile issues and achieved favourable outcomes for our clients.*
- *We have engaged with professionals in foreign jurisdictions and liaise with them to obtain probate locally as well as engaged with other overseas professionals, for example estate agents, to market and sell property. We have good professional contacts in many overseas jurisdictions.*
- *We deal, hands on, with high value and sometimes unusual assets, including arranging collection of personal possessions stored in safety deposit boxes.*
- *In applying for probate we have obtained additional affidavits where a Will was not fully executed and where the probate registry raised doubt over the testators capacity to execute the Will. We had to trace witnesses and obtain further affidavits from them to secure probate.*





## TRUSTS, TRUSTEES & EXECUTORSHIPS

Trusts and foundations, frequently used in conjunction with companies, can play a key role in the succession planning and wealth management of families.

The reasons for setting up a trust are varied but for many families, there is an ever-growing need for maintaining confidentiality, the orderly succession of assets, and protecting wealth for future generations. A well planned and advised trust structure can go a long way to meeting these needs and can address many concerns over specific asset protection, forced heirship and tax matters.

With many jurisdictions and subtly different trust and foundations available, the most suitable structure and jurisdiction will depend upon each client's unique circumstances.

Trust structures usually incorporate the legislation of multiple jurisdictions with the trust residence, trust law and tax status arising from the personal circumstances of its settlor, beneficiaries and trustees as well as the situs of assets all requiring consideration. With offices in many of the jurisdictions featuring trust and foundation laws and our international offices holding trust licenses we are well placed to meet most client requirements.

At R&H, we can provide a professional trusteeship through a corporate trustee or personal trusteeship, provide trust administration services or simply advise on the structure and its tax implications. We can act as protector to an already established and effective trust arrangement to offer additional comfort to the family that their trustees are acting in accordance with their appointment and the applicable laws.

When acting in our role in relation to the trust, we are sensitive to the significant adjustment that passing the control of assets brings for many settlors and the complex family dynamics which may be brought to the fore. Our track record and long term relationship with families provides assurance that we act with the utmost professional conduct and so wealth is enjoyed when and where it is intended. In our role as trustee, we ensure the letter of wishes, circumstances of the beneficiaries and our understanding of what the family would want are factored in to every decision.

In our nearly 90 year history, we have been instrumental in the transition of wealth of multiple families. R&H, as long-term advisers, are able to support the family in this significant time of change. With our diverse family office support services team, we understand the challenges faced by the individuals over a potentially prolonged period and stand by the family's side every step of the way.

## FAMILY GOVERNANCE

It is well known that corporate governance is a formalised system by which companies are regulated and controlled. The board of directors are responsible for company strategy, leadership, supervision of management and are working for the best interests of the shareholders and other stakeholders of the company. Family governance encompasses a wide remit with multiple unique interests, relationship dynamics, operations and individuals in a unregulated, informal environment. Here, we consider some of the fundamentals of family governance from establishing its objectives to structuring and effectively implementing governance in a family enterprise which may incorporate a family office, family business and family investments.

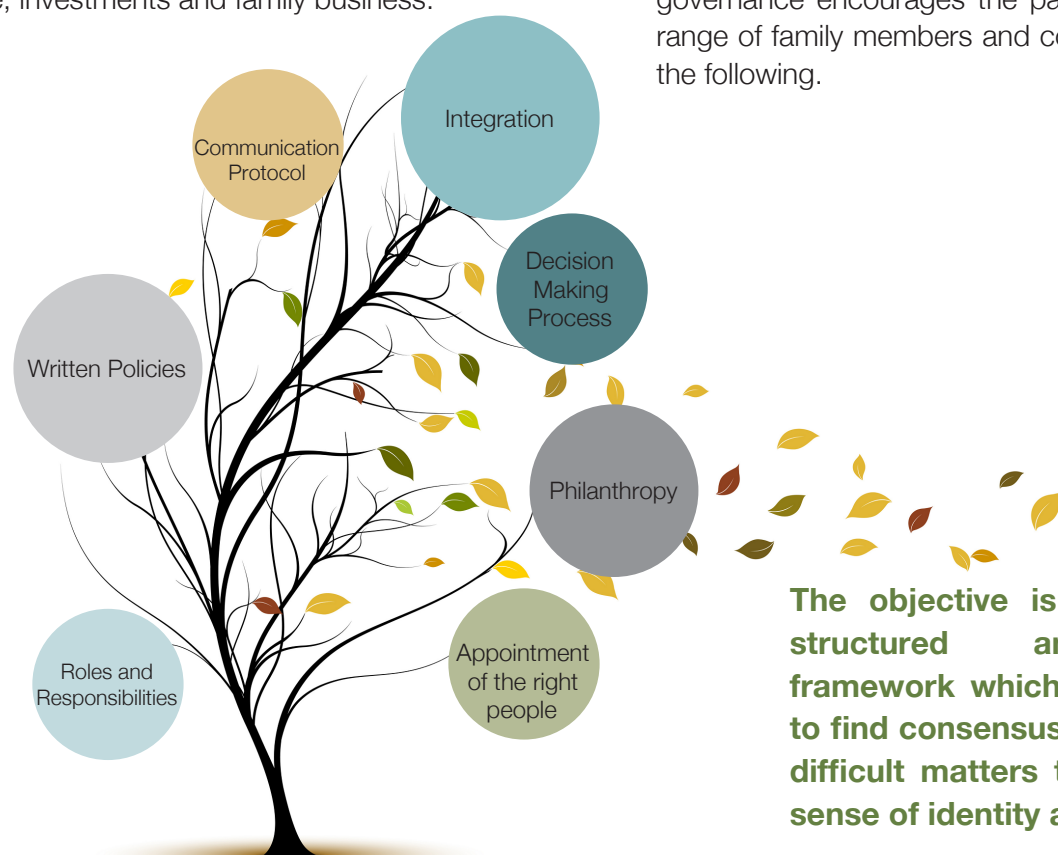
### GOVERNANCE OBJECTIVES

At its most simple, family governance is the structures and processes families use to organise themselves and guide their relationship with each other and their enterprise. At its core is the family's shared purpose which reflects the family mission, vision and values.

Family governance should provide a framework within which it is understood how decisions are made by family members and subsequently implemented, providing guidance around the extent to which the support of professional advisers and other non-family members is required. Within this framework, family members should understand the roles and responsibilities of themselves, other family members and certain wider interested parties and their interaction with the family office, investments and family business.

Imagine the sudden loss of the founder without a structure for the family wealth to move forward, families are required to manage grief, navigate the daily operations and address the succession issues in unison. A significant environmental factor may require immediate action, time not allowing for mass family agreement. The family decision makers can look to the shared purpose and family governance framework for their guidance. Having cohesion in this regard is likely to be pivotal where, for example, a family makes a sale of the family business and transitions into investment management and philanthropy.

A well-formed governance framework should transcend individual interests. A holistic approach to governance encourages the participation of a wider range of family members and could capture some of the following.



**The objective is to form a well structured and respected framework which enables families to find consensus and cohesion on difficult matters through a shared sense of identity and purpose.**

## GOVERNANCE ADVICE & STRUCTURING

Establishing family governance is a unique process through which families engage and become educated to manage a family enterprise. Once families have agreed and understood their shared purpose, building an effective structure around the core of the family flows more easily.

Vocalising and agreeing upon a shared purpose is a starting point to building an effective governance structure.



### Shared purpose

A shared purpose reflects the family mission, vision, philosophies and values. A purpose seeks to provide clear direction and unity of the family and aids the family in understanding its role in relation to the family enterprise. For individuals, they should better realise their role within the family group as regards the family enterprise. For the family enterprise, the family’s shared purpose guides the operations and seeks to unify family members around organisational ideals and aligns non-family management with the wishes of the key stakeholders, the family.

A clear and unified shared purpose is a fundamental element in steering a family office, family business and investments through multiple generations.

For a shared purpose to be genuinely shared, it has to have the buy-in from all family members. A blank canvass is a good starting point from which to commence open and frank but respectful discussions between key family members in establishing the family’s shared purpose. The support of independent facilitation can foster open, honest discussion and assist in transitioning a discussion forum to a written statement.

A shared purpose should be flexible enough to evolve with the family so that it may develop through changes of approach, attitudes and the environment, revisiting the shared purpose is essential.

### The structure

The structure, may be established on development of the family’s shared purposes and should incorporate methodology to achieve the following:

- Planning and policy making – facilitating transparent decision making and dissemination of information through the family and key stakeholders.
- Establishing structure around potentially contentious issues – enabling quick decision making by appropriate individuals in difficult and unforeseen circumstances.
- Demarcating ownership and management – clear lines between the roles and responsibilities of individuals.
- Encouraging dialogue – communication through the business and wider family.
- Managing conflict – an effort to reduce conflict and establish effective conflict resolution solutions.



## IMPLEMENTATION SUPPORT & COMMUNICATION

Having spent large amounts of energy and resource in establishing a shared purpose and a structure in which the family is to operate, the implementation requires equal commitment.

For the implementation of the family governance structure, typically, there are a number of formalities which could be put in place. Professional advisers will be required to draft agreements and assist the family to differentiate between what should be addressed in formal legal documentation and what is agreed informally with reference to the family's shared purpose to ensure governance remains robust.

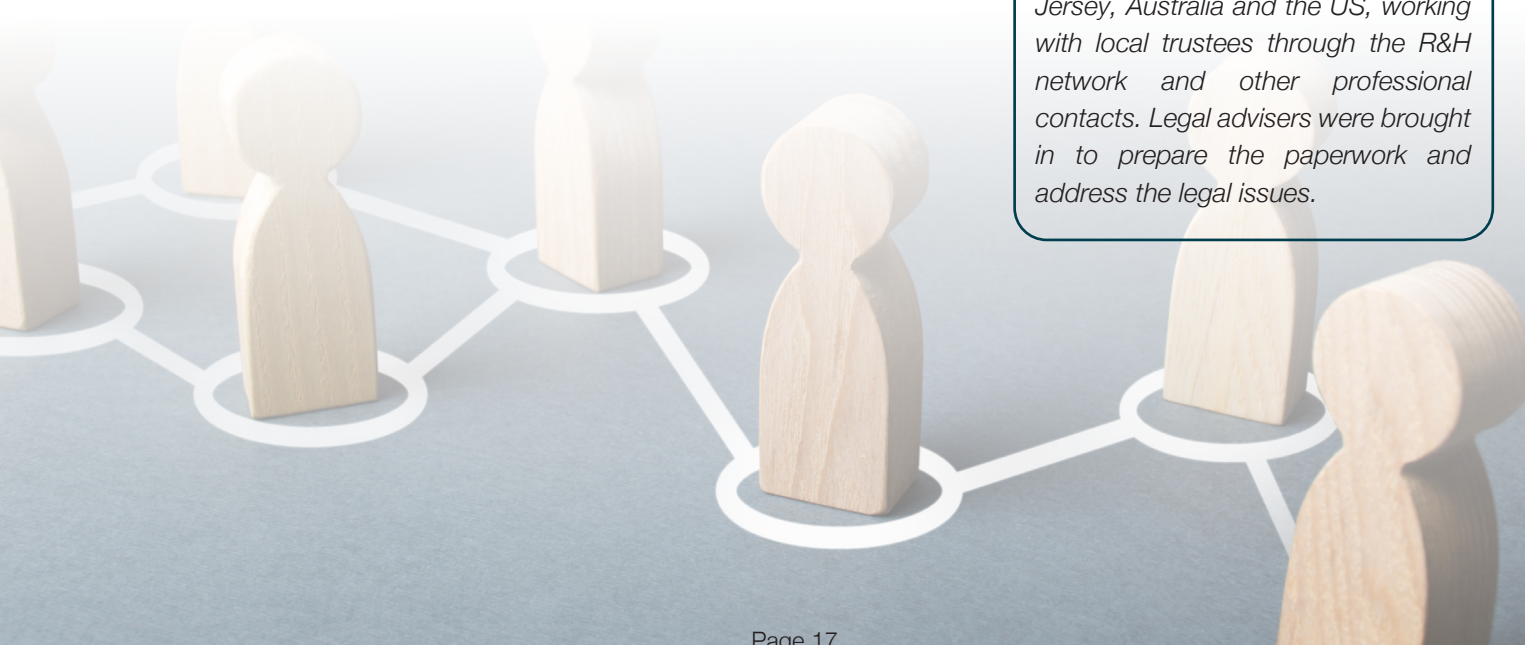
The formalised governance arrangement could include:

1. **A family constitution** – with the shared purpose at its centre, this is the documentation of the vision and values of the family. It should incorporate aspects such as policy making, communication and conflict resolution. It may encompass the family's approach to employment, management, succession, ownership, dispute resolution, etc.
2. **A family assembly** – this is a family forum which meets infrequently but is generally open to the whole family. This is a forum to provide the family members with an opportunity to learn about the family business, to manage the diversity of interests of family members and to give a voice to individuals.

3. **A family council** – a smaller representative group of family members which meets more frequently. It is often beneficial for the family council to be an elected group. The family council acts as a communication channel, working closely with the board and the family's particular branches, playing an active role in business decisions, possibly incorporating non-family management.

We work alongside legal advisers to prepare the necessary legal documentation, including family constitutions and shareholder agreements. We also regularly sit on boards, councils and assemblies in formal capacities or as observers.

*Our experience of working with other professionals is extensive. On supporting a family office establishment in the UK we worked from inception with overseas family office professionals and their advisers seeking to replicate a similar model in the UK. As well as the family office, we were instrumental in the structuring and implementation of charitable initiatives, trusts across Singapore, Jersey, Australia and the US, working with local trustees through the R&H network and other professional contacts. Legal advisers were brought in to prepare the paperwork and address the legal issues.*



## YOUR FAMILY – OUR SUPPORT, A CLOSING THOUGHT

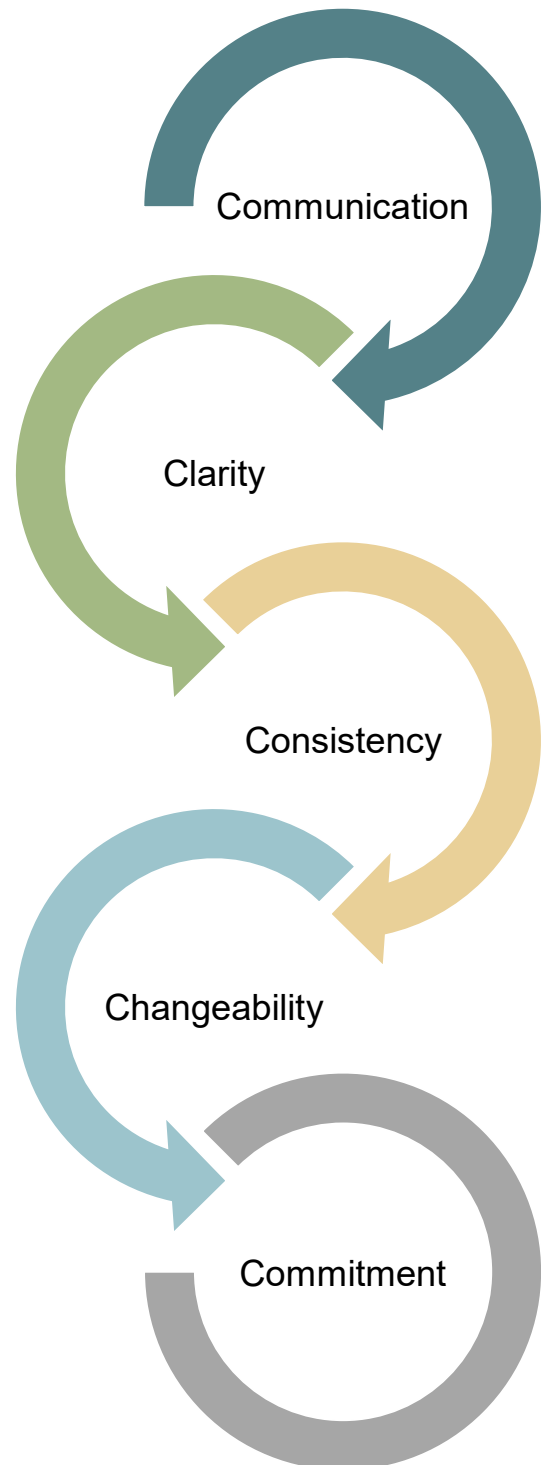
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When acting for our clients, particularly in our capacity as independent adviser around family governance, we know that, in the context of a family enterprise, a (real or perceived) lack of fairness in the decision making and managerial processes relating to the family enterprise and family members is a potential source of conflict.

The family enterprise is a venture which is creating value for its shareholders, family members and employees of today and the future. With such a broad and undefined number of stakeholders and inherent complexity of family dynamics, what is objectively “fair” may not be subjectively equitable.

We advise and support families by establishing “a fair process” with the objective of supporting the making of decisions which are devoid of family politics. Non-family employees of the enterprise need careful consideration also noting the importance of reputational management as well as business performance.

We are one step removed from the complex family dynamics and are able to provide impartial input into sensitive family discussions.



## OUR PEOPLE



**Katharine Haggie**  
Director

Katharine has extensive experience working with families in the UK and internationally and a particular interest in structuring clients' affairs around taxation. She is experienced in corporate, private client and trust matters in her varied roles across private practice. Her broad experience enables Katharine to identify the areas which require attention, develop solutions and implement these often acting as the principal co-ordinator of other firms and professionals who may be involved.

Her network extends to Singapore where she spent three years at R&H working with Asia based families with UK and international interests.

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**Mark Shaw**  
Director

Mark's career in wealth has been varied, working internationally in the Middle East with family offices as well as in the UK. At R&H, Mark has a portfolio of international family offices across America, Europe and Asia and supports families to establish structures and governance around their affairs.

Mark manages the firm's wealth reporting service and leads its technological development.

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**Mark Harris**  
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Mark specialises in taxation and advises on all aspects of UK taxation affecting private and entrepreneurial clients.

Mark is the UK firm's Senior Partner and also acts as trustee and executor for a number of private trusts and estates as well as charitable trusts, and is authorised to carry out non-contentious probate work.

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**Craig Davies**  
**Partner**

Craig specialises in corporate services, working closely with the entrepreneurial families especially across the arts, entertainment and tech sectors.

Craig's strength lies in his breadth of knowledge across corporate services, all manner of taxation, trusts and the industry as well as his ability to grapple with complex conundrums to find solutions for clients.

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**Chris Hawley**  
**Partner**

Chris has played a pivotal role in the development of the firm's Trust & Wealth Services department over more than 25 years with the firm, expanding its services for Trusts and Charities, and establishing the firm's Wealth Reporting Service.

His close involvement with families over the years has given Chris a unique insight into the complexities and sensitivities of supporting families to manage their businesses and wealth.

Chris has a particular enthusiasm for advising charities and their trustees and supporting philanthropic endeavours.

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**Toby Crooks**  
**Partner**

Toby is a private client specialist with extensive experience working with the complex affairs of families, in particular across taxation and trusts. Toby is exceptionally well connected in the industry both nationally and internationally and works closely with clients' legal advisers, family offices and other professionals.

Toby's career has been influenced by a period working for R&H in the Cayman Islands where he developed his interest in international trusts and their administration. Toby's connections with the Islands and other international jurisdictions, including Singapore and Hong Kong, are key components to his practice.

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